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# RIGHT WING LABOUR

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**THEORY & PRACTICE**

**Emile Burns**

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RIGHT-WING  
LABOUR

Its Theory and Practice

by  
EMILE BURNS

LAWRENCE & WISHART  
LONDON



First published 1961

Printed in Great Britain by Hutchinson  
Printing Trust, at The Anchor Press,  
Ltd., Tiptree, Essex, for the Publishers,  
Lawrence & Wishart, London

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## Chapter One

### ORIGIN OF THE "NEW THINKERS"

The programme with which Labour won the 1945 election was *Let Us Face the Future*, issued in April and endorsed by the Labour Party Conference in May 1945, a few weeks before the general election. This programme promised, among other things, full employment, a new Health Service and other social measures; planned investment, public ownership of the Bank of England, coal and power, inland transport, iron and steel; public supervision of monopolies and cartels; economic and price controls; and State help for exports. In foreign affairs, the document stated: "We must consolidate in peace the great wartime association of the British Commonwealth with the U.S.A. and the U.S.S.R." On the Empire, the object was "the advancement of India to responsible self-government, and the planned progress of our Colonial Dependencies".

In the six years of the two post-war Labour Governments much of the home social programme was carried out. The Health Service was started, but without the promised health centres, and later some charges were introduced. The Education Act of 1944 was applied, though the school-leaving age was never raised to sixteen as the programme had promised. The Bank of England and the industries named were nationalised, though on terms which largely defeated the purpose of nationalisation. Certain economic and price controls were maintained, though the controlling bodies were largely staffed by representatives of the biggest capitalist concerns. Abroad, "the great wartime association" of Britain



with the U.S. and U.S.S.R. became the cold-war association of Britain with the U.S. against the U.S.S.R. The "planned progress" of the colonies was somewhat hastened by the determination of the liberation movements in India and Burma, which along with Ceylon won complete political independence, not merely "responsible self-government"; in other parts of the Empire "progress" was substituted by armed repression.

At the general election in 1950 the Labour majority was reduced to a handful; in the 1951 election the Tories were victorious.

Many in the Labour movement, surprised and alarmed, voiced their criticism of the weaknesses which in their view had brought about the Labour Government's defeat. In response to criticism by the left, there emerged "New Thinkers" on the right, who sought to reformulate Labour's aims and programme and to build up a theoretical justification for the change.

New thinking is no doubt an excellent thing for the Labour movement if it looks forward to Labour's goal and is really new. But the right-wing New Thinkers looked backward, not forward: they aimed to justify what the Labour Governments had not done, to console the movement for its electoral decline by presenting this as the penalty of success, and to persuade critics that the medicine which had brought on the decline, if taken in stronger doses, would infallibly cure it. Nor were the thoughts which the New Thinkers embodied in their writings really new: they were based on the stock-in-trade of propagandists of the ruling class on the beauties of capitalism and the evils of socialism. If anything was new it was that these thoughts were set down and elaborated by spokesmen of the Labour movement, and became the foundation of the policy documents presented by the right-wing leaders to the Labour Party.

Out of the *practice* of the Labour Governments came the *theories* of the New Thinkers. The Labour Governments had administered capitalism: the theories codified the practice and aimed to perpetuate it. In essence the recent works of Strachey, Crosland and other representatives of right-wing

Labour are apologetics for the policies carried out by the Labour Governments, apologetics for British imperialism and monopoly capitalism. The measures taken by the Labour Governments, which in fact strengthened the position of British monopoly capitalism at home and abroad, are presented as instalments of socialism, steps forward in the interests of the Labour movement.

These apologetics could not seem convincing to the rank and file of the Labour movement—especially the active members whose outlook was socialist—unless the right-wing theoreticians could succeed in doing two things.

First, they had to present post-war capitalism as something entirely different from the pre-war capitalism which the Labour movement had been built up to fight *against*.

Second, they had to present socialism as something entirely different from the socialism which the Labour movement had been built up to fight *for*.

How did they proceed?

They gave new definitions to capitalism and to socialism. This simple method enabled them to proclaim either that present-day monopoly capitalism was socialism, or that 'post-war capitalism' had brought such fundamental changes to society that socialism no longer had any meaning.

Either of these 'solutions' to social problems was made more palatable by denouncing as bravely as ever the bad old capitalism which Karl Marx wrote about a century ago, and adding that now, thanks to the wise policy of the Labour leaders and their application of the theories of Lord Keynes, those days were over. In contrast to those times of exploitation, poverty and crisis, they argued, in the capitalism of today (if it can really be called capitalism) there is no exploitation; inequality is on its way out, even if it has not been completely done away with; profit-seeking has given place to public spirit in the management of industry; the capitalist class no longer counts for much; society looks after the unfortunate; and really there isn't much left for the Labour movement to do in the material field: so it had better turn its attention to the "moral issues" facing society.



These assertions that capitalism has passed away, or at least is not the man it used to be, reflect in part the economic conditions of post-war Britain, which have been so markedly different from those of the 1930s. But they also express the alarm felt by the right-wing Labour theoreticians at the rapid growth of socialism in the post-war world: praise for capitalism is accompanied by denunciation of the socialism which exists in one-third of the world. Indeed, Crosland explains that the word "socialism" has no meaning; it "does not describe any present or past society, which can be empirically observed, and so furnish unimpeachable evidence for what is or is not 'socialism'" (*The Future of Socialism*, p. 100). Thus a third of the world is conjured out of existence, leaving only the capitalist world visible. The vast material gains and immense cultural advances made by the working people of the socialist countries are summarily dismissed, as they are ignored by other "theoreticians" of this type.

On the basis of the allegation that the people of the socialist countries have lost "democracy" and "freedom", they seek to justify the alliance with imperialism and world reaction. Socialism is stripped of even such material content as Herbert Morrison's "social responsibility for matters of social concern". All that is of the earth earthy drops out of the picture, and the essence of socialism is distilled as democracy on the best British parliamentary model and "freedom" for all, including of course the capitalists—"The reason why a socialist economy requires a private sector is because socialists place a value on individual freedom" (*Socialist Union, Twentieth Century Socialism*, p. 148).

Quite a literature has grown up expounding these ideas. In the main the arguments stem from the open apologists of capitalism and anti-Marxist writers of the last hundred years. Nor is much attention given to offering evidence for sweeping assertions. Nevertheless, the arguments and the assertions of the right-wing "New Thinkers" have seeped through the Labour movement, with the assistance of the capitalist press, broadcasts and television. It is therefore valuable to take them to pieces and see how they are made up: to examine the

basic assumptions and put them to the test of fact, as well as discussing the conclusions drawn.

That is what this book sets out to do, examining in particular *New Fabian Essays* (1952), to which R. H. S. Crossman, C. A. R. Crosland, John Strachey and others contributed, with a preface by C. R. Attlee; Crosland's fuller exposition of his views in *The Future of Socialism* (1956); Strachey's *Contemporary Capitalism* (1956) and *The End of Empire* (1959); Gaitskell's pamphlet *Recent Developments in British Socialist Thinking* (1955); Patrick Gordon Walker's *Restatement of Liberty* (1951); and some of the publications of Socialist Union. This was a right-wing grouping formed in 1951 as a counterblast to the left; it was described by *The Observer* as "a non-official body comparable to the Fabian Society". It was responsible for *Socialism: a New Statement of Principles* (1952); *Socialism and Foreign Policy* (1953); and *Twentieth Century Socialism*, a Penguin Special (1956). The blurb on the Penguin Special noted that "The ideas of Socialist Union also find expression in the independent monthly journal *Socialist Commentary*"—to which Gaitskell, Crosland, Patrick Gordon Walker and other right-wingers contributed.

What was the position of British monopoly capitalism when the Labour Government took office in 1945?

Its prospects seemed grim. Ever since the first world war its former dominant position in the world had been slipping. The economic crises that swept through the capitalist world in the period between the wars struck heavily at British capitalism, the oldest and the most dependent on colonial exploitation. British industry and trade stagnated; plant and equipment aged. The second world war, although it gave a stimulus to sections of industry, carried further the process of decline. Many British investments abroad had been sold, and enormous sterling debts, largely to colonial countries, had been incurred in meeting the overseas costs of the war. The proportion of British industry destroyed in the war was not large, but long continued stagnation and war conditions left British plant lagging behind modern developments.



The coal-mines were almost as backward as at the time when the Sankey Commission in 1919 recommended nationalisation; the railways were in little better condition. The electrical industry, though relatively modern, was quite inadequate to meet the needs.

There was revolt against British imperialism in India, and serious unrest in other British colonial possessions. And at home in Britain long years of discontent with Tory rule combined with war weariness and sympathy with the Soviet Union to strengthen the demand for social change.

From the standpoint of British imperialism, far-reaching measures had to be taken to meet all these difficulties and as far as possible to recover its losses and ensure survival, even if it had small prospect of regaining its former dominant position in the world.

In order to rebuild its investments abroad and defend its share in world markets, the basic industries had to be modernised to give cheaper service to the rest of industry. Crosland takes it as a sign of grace on the part of the Tories that they did not seriously oppose the nationalisation of these industries: they had sound business reasons for welcoming it, all the more because of the terms on which it was carried through.

In order to damp down the working-class demand for social change, immediate concessions had to be made. It is generally believed that the measures which totalled up to the so-called "Welfare State" were initiated by the post-war Labour Government. In fact, most of these measures had been agreed with Churchill and the Tories in the period of the wartime Coalition Government, and had been approved by the predominantly Tory House of Commons before the end of the war as necessary concessions. The Education Act was passed in 1944. The practical working out of the Beveridge proposals in regard to health and other social services was contained in the Coalition Government's White Paper on Social Insurance put before Parliament in September and accepted by it in November 1944. The Family Allowances Bill, providing 5s. weekly for each child except the first,

was before Parliament in March 1945, as was also the Distribution of Industry Bill. It is not suggested that the Labour members of the Coalition Government played no part in the preparation and putting through of these measures: the point is that they were agreed by the Tories as necessary concessions to the workers after the war, at a time when they certainly expected that a Tory Government would succeed the Coalition.<sup>1</sup>

In order to hold on to as much as possible of the Empire, very large armed forces—and conscription to provide them—had to be retained, and used against the weaker liberation movements in the colonies; where the movements were too strong, concessions had to be made which preserved profits even where they gave political independence.

And if all this meant leaning heavily on United States imperialism, it was a price to be paid willingly, for the British-American alliance was the key to checking the advance not only of the colonial liberation movement but also of socialism.

To mobilise all possible economic and political resources in order to solve these problems the continuance and extension of State intervention in the economy, which had reached a high point during the war, was essential; the established grip of monopoly capitalism on the State machine would determine the direction in which this State intervention would be used.

"The man who won" the first world war—Lloyd George—was able also to win a majority of the electorate in the general election that followed, and so to direct the post-war developments in the interests of British imperialism. But "the man who won" the second world war was sent packing by the electors, who handed over command to a Labour Government in the hope of getting far-reaching social changes.

What they got, however, was the minimum of concessions that would stay the pressure for far-reaching social change:

<sup>1</sup> A post-war Tory Government would of course have whittled them down in practice as far as was politically possible at the time.



just as they got such concessions from Lloyd George after the first world war. The 1918 Education Act, for example, made provision for the raising of the school leaving age to fifteen; it was never raised above fourteen. The 1944 Education Act made provision for the raising of the school leaving age to sixteen; the Labour Government never raised it above fifteen. Lloyd George had to extend the unemployment insurance scheme; the Labour Government had to broaden it into a general health and pensions scheme. Lloyd George had to give housing subsidies; so had the Labour Government after the second world war. Such concessions at the end of a prolonged war have to be made, no matter what Government is in office.

And, in fact, what was the essence of the Labour Government's activities after 1945?

Guided by the permanent officials of the Government departments and the direct representatives of monopoly capital in the innumerable controls and committees carried over from the war period, the Attlee Government turned out to be no instrument of social change, but a valuable instrument of the monopoly capitalists in damping down the post-war unease and in helping the monopoly capitalists to solve the contradictions that faced them.

With a flourish of socialist phrases, the Labour Government nationalised the mines, railways, gas and electricity, and put them under former owners or their likes from other industries. It maintained controls in other sections of industry and trade, manning the controls with representatives of the biggest companies. Sir Edwin Plowden, Chief Planning Officer from 1947 to 1951, was a director of British Aluminium and two other companies. The Capital Issues Committee consisted of seven bankers, stockbrokers and industrialists. Unilever employees filled ninety posts in the Ministry of Food, twelve of them senior positions. The match controller was a director of Bryant and May. The footwear controller was a director of Dolcis. These and other examples are given by A. A. Rogow and Peter Shore in *The Labour Government and British Industry, 1945-1951* (pp. 61-3).

The Labour Government also put into operation the social measures which during the war had been agreed on as essential concessions to the working people; and on the other hand, urging the need for exports to save the £ and for profits to provide resources for re-equipping industry, it did all it could to hold down wages and spread passivity among the workers while prices and profits rose.

In relation to the colonies, the Labour Government's first action was to send troops to help the Dutch imperialists against the liberation movement in Indonesia. It tried unsuccessfully to hold Palestine. The liberation movements in India and Burma were too strong for it, and it had to give political independence to these and also to Ceylon. It started a full-scale war in 1948 against the Communist-led independence movement in Malaya. It took no steps towards releasing the African colonies from the grip of British imperialist rule; on the contrary, it strengthened the military forces and bases, and put Nkrumah in prison for campaigning for Ghana's independence.

In its foreign policy it drew the British people into alliance with United States imperialism against the socialist countries,<sup>1</sup> and began the building up of Adenauer Germany and the nuclear weapon strategy of NATO. It followed obediently the bans imposed by the United States on trade with the socialist countries.

Such a course in every field could not have been taken without a continuous fight against the left in the Labour movement, and many lefts at different levels were disciplined by the Labour Party leadership. Right-wing propaganda voiced more and more openly the ideology of capitalism. Higher profits were necessary; higher wages were the cause of inflation. The workers were not fit to manage industry, any more than the colonial peoples were fit to manage their own affairs. Above all, Communists were trouble-

<sup>1</sup> Justifying this later, Strachey wrote: "The reason for this alliance is fear of Russia. . . . It is true that America is the great capitalist power of the world. But she is a capitalism in rapid and progressive development" (*Forward*, Sept. 27, 1952). This at the height of the Dulles period.



makers, and the socialist countries a threat to Freedom and Democracy.

Having succeeded in strengthening the position of British imperialism and weakening the class outlook of the British workers, the Labour Government was displaced by the Tories, and the New Thinkers set to work.

## Chapter Two

### HOW THEY GOT RID OF THE CAPITALISTS

There was a time in the history of Britain's Labour movement when all its leaders and theoreticians, whether "evolutionary" or "revolutionary" socialists, put forward very similar ideas of what was capitalism and what was socialism. All presented the ending of private property in the means of production as the foundation of a socialist society, in which there would be no exploitation of man by man—a society which, ridding mankind of the economic and social ills of capitalist society, would give every individual the fullest opportunity to develop in an all-round way.

Where Social Democrat claimed to differ from Communist was not in the aim, however dimly conceived, but in the method of achieving it: the Social Democrat preached a "gradualism" that would bit by bit take the sting out of capitalism until one day socialism arrived; as against the Communist contention that the new society could not begin until the overthrow of capitalist rule.

The New Thinkers, the right-wing Labour theoreticians of today, are no longer troubled by that controversy. They have discovered a way of getting rid of the capitalists that is far quicker than gradual expropriation through Parliament and far less painful than revolution: they just conjure the capitalists out of existence.

There are three principal ways of performing the trick. The first is the assertion that the rich are no longer with us, having been taxed out of existence by surtax when they are alive and death duties when they pass on. The second is to



show that any owners of capital who have managed to evade the holocaust are now mere shadows of their former selves, deprived of any influence on the economy by an upstart race of managers. The third is to explain that the capitalists of today are really a different breed from those of yesterday: they have lost their nasty ways and now have a profound sense of responsibility to society.

Let us see how each form of the trick is worked.

### 1. *Are the rich extinct?*

According to Crosland—and it will not be disputed—the inequality under pre-war capitalism was certainly extreme. Taxation had not led “to any considerable redistribution from rich to poor”. “In the sphere of property, the inequality was even worse.” That was old, bad capitalism; what he has to do next is to show that all this is now changed. How is the trick worked?

He quotes National Income statistics, showing that wages in 1950 took 47 per cent of total post-tax personal income compared with 39 per cent in 1938, while property-incomes took 11 per cent of total post-tax income in 1949 compared with 19 per cent before the war. From these, along with other figures, giving a similar general picture, Crosland draws the conclusion that incomes have been to a certain extent levelled by more progressive post-war taxation plus full employment (*The Future of Socialism*, pp. 48–51).

This somewhat cautious conclusion is abandoned at a later stage, when he wants to show that capitalism now no longer exists. He says: “Today, as the previous chapter showed, the distribution of income has become significantly more equal; and the change has been almost entirely at the expense of property-incomes” (p. 64). He adds: “Dividends net of tax are now only some 3 per cent of all personal incomes after tax. . . . The demise of capitalism could almost be inferred from this one figure alone.”

Is there a catch in it?

First, without challenging the accuracy of the National Income statistics and the calculations made by Dudley Seers

and others quoted by Crosland, *as far as they go*, the question is: how far do they go? What exactly do they cover, and do they give the whole picture?

All the figures are figures of *personal income* after tax—that is to say, income officially classed as income subject to tax. *But they do not represent the total portion of annual production which is appropriated by the capitalist class.*

In addition to the part of company profits which is distributed as dividends, a large and increasing proportion of profits is not distributed but kept in reserve by the company for financing its expansion. That part is not officially the income of any individual person; and therefore it does not appear in the statistics of personal incomes. But in fact the shareholders benefit from these reserves, firstly in the increasing price of their shares because of the reserves, and secondly in higher dividends in later years, or perhaps a distribution of bonus shares or an issue of shares to them at less than the market price, which they can sell at a profit—untaxed, and not in income statistics.

That benefit comes to all the shareholders. But for the larger shareholders, those with incomes which make them liable to surtax, there is an additional and very important benefit. If all the profits were paid out in dividend, they would have to pay a high rate of surtax on what they received. But if only one-third or so of the profits is paid out in dividend—just enough to keep the small shareholders quiet—the big shareholders avoid surtax on two-thirds of *the real addition to their wealth* arising from the profits on their investments. And this does not enter into the official statistics of personal income at all. As surtax rates have been increased, for example by the Labour Government after the war, this method of avoiding surtax has become more widespread—and it is the larger shareholders, who in fact control the big companies, that make the decision how much of the profit is to be paid out, how much is to be kept as reserves. These larger shareholders are not in need of this income to meet their expenditure—if they drew it they would only reinvest it; by leaving it in the company they have in fact reinvested it *all*, instead of



only having what was left after surtax to reinvest. Crosland himself notes that companies "have pursued a much more conservative dividend policy than before the war"—though he does not note its relation to higher surtax rates.

What importance has this factor for the official income statistics? To what extent does it make them misleading?

The official figures of personal income *after taxes on income* for 1959 show "Income from self-employment, rent, dividends and interest" (all these are lumped together) as £3,325 million. How much of this total is dividends is not shown. But the "Undistributed income of companies and public corporations"—that is, profits kept as reserves—is shown as £2,391 million. In other words, though the statistics do not allow an exact figure to be given because other things are mixed up with dividends, it is pretty clear that undistributed income from shareholdings in companies is more than distributed, perhaps a good deal more. In fact, in the larger companies, two-thirds of the profits are usually put to reserves—double what is distributed as dividends.

But to keep to the official figures—if the amounts put to reserve are added, as they should be, to the £3,325 million in the item including dividends, and to the total personal income, the item of dividends, etc., becomes 30 per cent of the total personal income—a very different figure from those used by Crosland.

That is not all, however.

Lurking in the figure "income from civilian employment" are the salaries drawn by the "captains of industry", and presumably also directors' fees. In any analysis which purports to give the *class* distribution of personal incomes these items should clearly be added to "Rent, dividends and interest", although they are technically "income from employment": they are incomes of the property-owning class, not of the working class. How much they amount to in the aggregate is not shown in the statistics. But individual examples are illuminating. The *Evening Standard* (November 25, 1960) gives some "estimates": Sir William Lyons, the Jaguar Cars chief, "is a £100,000-a-year possibility". Mr.

Paul Chambers, of I.C.I., "is said to get around £40,000 a year".<sup>1</sup> The pay packet of the chairman of Turner and Newall "has been estimated at £60,000". And so on.

*Labour Research* (Sept. 1960) quotes an estimate by the *Financial Times* (Feb. 2, 1959) that the managing director and deputy managing director of Associated Television would be getting £65,000 each in fees and commission on profit that year. Another calculation by the *Financial Times* (Nov. 19, 1958) is also quoted, showing that the 1,100 directors of the United Kingdom's 100 largest companies were getting on the average, in the shape of fees, salaries, commission and pension contributions, between £8,000 and £9,000 a year each. This totals £9,000,000 to £10,000,000 for these 100 companies alone. It is not suggested that smaller companies pay their directors on this scale, but in all there are nearly 300,000 companies, so the aggregate amount drawn by directors in these ways must be very considerable. These payments of course are treated as expenses of the company, before the profit is arrived at. *Labour Research* adds: "The tax-free expenses received by directors in the course of their work—which may of course be very substantial indeed—are not included, as the Companies Act does not require their publication."

But again that is not all. It is on the whole the members of the property-owning class—though some of the lesser fry no doubt get their pickings—who benefit from the expense accounts of various kinds paid out by companies, which are treated as the running expenses of the company and not as the personal incomes of the beneficiaries. In some cases the companies pay for directors' pensions, school fees for their children and all kinds of other "expenses". These sums, which are decided on by the directors themselves and in the aggregate must be considerable, do not appear in the official statistics of income at all; and similarly profits made on capital transactions, through buying and selling shares and

<sup>1</sup> It subsequently became known that Dr. Beeching was drawing £24,000 a year from I.C.I. when he was appointed chairman of the nationalised railways at that figure.



other property, are excluded from the Inland Revenue figures, because they are not liable to tax.

All in all, therefore, the popular Labour myth that there has been a substantial redistribution of incomes as between the property-owning class and the working class—a myth supported by superficial analysis of the official statistics of income—is certainly not proven. And, indeed, observation of the kind of life led by the property-owning class suggests that they are getting a quite fabulous access of riches compared with before the war.

Nor do the official statistics of incomes subject to surtax (i.e. over £2,000 a year) suggest that surtax payers are a dying race. The total number of incomes assessed for surtax has increased from 163,000 in 1945-6 to 388,000 in 1958-9; and their aggregate income between the same years increased from £685 million to £1,610 million. And since part of Crosland's case is that "property-incomes" have suffered heavily, it must be noted that, to use the official term, "investment" income during that period rose from £329 million to £610 million. It is perfectly true that the change in the value of money plays a part in these figures—just as it does in the figures of wages—but the point is that *the property-owning class is still there*. And these figures are subject to the same comments as have already been made in connection with total personal incomes—these surtax figures too are hopelessly incomplete, since they do not and do not pretend to cover all the actual increase of wealth accruing to the surtax payers year by year.

The only official statistics which throw any light on the distribution of wealth are those issued by the Inland Revenue in relation to death duties. The numbers of estates recorded, the total value of these estates, and their distribution according to size, vary from year to year. Nevertheless, the year by year figures, although fluctuating due to the accident of how many rich people die in a particular year, show a rise in the capital value of estates, from £553 million in 1939-40 to £979 million in 1959-60.

In the last ten years estates of over £50,000 net capital

value have fluctuated in total value between £229 million and £318 million. These official figures represent the wealth that was actually assessed for death duties. It is however very well known that the larger the estate, the greater the ingenuity shown by the late owner (or his lawyers and accountants) in avoiding liability for death duty—by transfers of property to relatives, the setting up of trusts, etc. No one can know the total value of the property which thus escapes assessment and is therefore not included in the figures published. But what is certain is that these figures are very much an understatement of the wealth of the very rich.

Perhaps the simplest evidence of the mounting wealth of the rich is given in Stock Exchange statistics. The total value of shares in companies "registered and managed in the United Kingdom" and quoted on the Stock Exchange at the end of 1938 was £4,800 million. At the end of 1959 it was £19,000 million—nearly *four times* the 1938 figure. Although these figures are not strictly comparable (because among other things many private companies have been converted into public ones) they show quite conclusively that a very considerable rise has taken place in the wealth of the shareholding class—the capitalist class; and in 1958, according to Tory M.P. Sir Toby Low (*Prospect for Capitalism*, a Bow Group publication), less than 3 per cent of the population had "a direct interest through shareholding in any part of the country's industry and commerce".

If all forms of stocks and shares of these companies quoted on the Stock Exchange are included, the market value totalled £20,927 million in 1960. Besides these, there are the shares of private companies and others, not quoted on the Stock Exchange: these are estimated to amount in value to about one-fifth of the quoted shares, approximately another £4,000 million.

Besides holdings of shares and stocks in companies, the other important form of accumulated wealth is land and buildings. There are no published statistics of these, either in total or showing the distribution among different classes of owners. But the annual income from rents was £1,082



millions for 1959. About a third of this is rent paid to Local Authorities—which however in the main are collecting rent and paying it over as interest to moneylenders, who are thus in practice the real owners of Local Authority property. Certainly the total value of property that yields over £1,000 millions in rent must be very considerable, even after deducting the property of owner-occupiers who have paid off their mortgages.

H. F. Lydall and D. G. Tipping have published in the *Bulletin of Oxford University Institute of Statistics* (1961, Vol. 23, No. 1) new estimates of the distribution of all forms of property in Britain in 1954. They show that the net capital of 580,000 persons (1.55 per cent of the total) amounted to £20,000 million, or half the total. (Quoted in *L.R.D. Fact Service*, May 6, 1961). Since 1954 the value of Ordinary Shares of companies quoted on the Stock Exchange has doubled, and property in the form of land and houses has risen substantially in value, so that the wealth of this tiny section of the population must be considerably greater now than in 1954.

What does all this come to?

That the legend of the slaughter of the capitalists under the heavy blows of surtax and death duties has no foundation. On the contrary, the capitalists still live and flourish, increasing their accumulated wealth year by year from the surplus value created by the workers. And this means, too, that far from capitalism having changed, or even having been weakened by "equalitarian" measures, it is the same old capitalism, vigorous as ever in the making of profit and accumulating capital, but today more concentrated, more dominated by the monopolies.

Does this mean that the raising of the rates of surtax and death duties by the Labour Government had no effect at all?

Certainly it has not had the effect proclaimed by the New Thinkers. The real effect has been the very opposite of the alleged whittling away of property and property income. The heavier rates have led indirectly, apart from large-scale evasion, to hastening the accumulation in the hands of the

monopolies, to their expansion, to the spate of take-over bids, and other forms of the concentration of capital which is the chief characteristic of economic development in the present period.

## 2. Owners and managers

Originating in the United States, and largely under the influence of Burnham's *The Managerial Revolution*, the myth is widespread in right-wing Labour circles that the capitalists, the owners of industrial and other enterprises, no longer control these enterprises or determine economic policy. Owing to the increasing size of companies, it is said, the owners—the shareholders—have had to hand over control to salaried managers, who because they are not shareholders, or at any rate not big shareholders, are not personally interested in making profits.

As Crosland puts it (*The Future of Socialism*, p. 63), decisions used to be controlled by a class of "private owner-managers, or capitalists", who largely monopolised economic power. But now in Britain, "nationalisation has wholly deprived the capitalist class of its power of decision" in the basic industries, while it has been "similarly deprived in much of the private sector" by the growth of the joint stock corporation, which "has transferred the function of decision-making to a largely non-owning class of salaried executives". "Thus," he adds, "the classical capitalist class of entrepreneurs has largely disappeared, at least from large-scale industry." Thus, he might have added, the trick has been done: by defining capitalists as "private owner-managers", and asserting that now owners are not managers (we shall examine this assertion later), the capitalists have been got rid of. Q.E.D.

Strachey's case is more elaborate. Throughout the history of capitalism, he says, the management of industry has been growing more and more separated from the ownership of industry, and with the birth of "giant firms", ownership and management "have come apart". In the old days "the handloom weaver owned the tools of his trade and ran his own business"; then came the capitalist, who did not work but



bought the labour power of operatives. Then came the Joint Stock Company, and "the modern class or category of shareholders was born" who "own, but do not conduct, the main body of the economic activity of the country". Hence "another new race of men, the managers or directors, who conduct but do not own, had consequently to be born" (*Contemporary Capitalism*, p. 35).

He qualifies the alleged separation of owners from managers by adding that "the two categories inter-penetrate, of course". But he soon drops the qualification, saying bluntly that in really large enterprises ownership and management "have been put asunder". He also soon drops the "managers or directors", using for his further argument only the word "managers", whom he counterposes to the owners. In this way he is able to present the "managers", whom the unsuspecting reader will think of as salaried officers without any shareholding interest, as if they run the show in a controlling sense, without any reference to "directors".

This method of dropping an important qualification, thus turning a limited truth into an absolute generalisation, and using the single term "managers" to cover two very different groups of people, is very convenient for his purpose; whatever may be thought of it, no one can doubt Strachey's ingenuity in thus confusing the issue.

For what is probably true of many salaried *managers* in large concerns today—that they "conduct but do not own"—is by no means probably true of *directors*. It is not simply the fact that directors have to have a certain, usually very small, holding of shares in a company in order to qualify as a director of that company, while salaried managers need no such qualification for their job. The point is rather that what Strachey calls the class of directors of large companies is in fact the class of capitalists, and fairly big capitalists at that. Successful salaried managers may be, and often are, invited to join the Board of Directors. But they are *invited to join* by a group whose yea or nay is decisive on all important questions of the company's plans and policies, precisely because, as a group, they are *owners* and not mere managers. And it is

quite beside the point to say that their shareholdings in that company are only a small percentage of the total shareholdings, of which there may be tens or even hundreds of thousands.

The *Survey of Large Companies*,<sup>1</sup> published in October 1959, rightly observes (p. 20): "The existence of a very large number of equity shareholders" (i.e. holders of Ordinary Shares) "does not preclude concentration of control in the hands of a small proportion of their number". It is a well-established fact (to which Lenin called attention as long ago as 1916, in *Imperialism*) that in order to control a large company it is by no means necessary to hold a majority of the shares: the larger the number of shareholders, the smaller the proportion of shares needed for control. In practice, the great majority of smaller shareholders take no part in annual meetings where directors are elected; many even send in proxies authorising the chairman to use their votes as he thinks fit.

Therefore evidence that many directors of large companies have comparatively small holdings of shares in those companies in no way proves that the "owners" have lost control to "a new race of men, the managers or directors, who conduct but do not own". Once again Strachey applies what is true of one group—the smaller shareholders—to all shareholders, including the big ones, of whom it is not true; in fact, the smaller shareholders have never had control; control has always belonged, not to some category of managers, but to the bigger shareholders.

In the larger monopolies particularly the system of control has been carefully developed as they grew in size. Apart from such devices as dividing Ordinary Shares into Voting (held by the big shareholders) and Non-Voting (held by smaller investors)—a method used especially in the Press monopolies—the method of a parent company with subsidiaries and subsidiaries of subsidiaries enables a shareholder or group with a relatively small proportion of the shares in the parent company to control all the others. The extent to which the larger concerns develop subsidiaries is brought out in the

<sup>1</sup> *A Survey of Large Companies*, by Ralph Harris and Michael Solly, published by the Institute of Economic Affairs.



*Survey of Large Companies* already referred to, which shows that 129 of these large companies have between them a total of 2,686 subsidiary companies, of which 1,013 are outside the United Kingdom.

Naturally, the directors of these subsidiary companies cannot be expected to be owners of any considerable holding of shares in the companies they direct, since in effect they are local boards of management on behalf of the parent company, in which the principal owners are concentrated. The *Survey* gives illustrations showing that "the direction of major policy is in the hands of the parent company"; or that there is "a considerable degree of autonomy in the individual companies, but complete control is exercised in respect of capital expenditure, [and] some degree of control of trading policies". It concludes: "It would appear that even where subsidiaries are allowed a high degree of autonomy, the parent company retains control of general policy and finance".

Who then controls the parent board of the whole group?

Certainly not the small shareholders; in Company Law democracy counts not heads, but pounds. So with equal certainty control is in the hands of an individual, a family, or a group of large shareholders, even though the *proportion* of the shares held to the total capital may not seem significant. This control may be exercised directly, or indirectly through representative directors.

But are these directors what Strachey describes as "a new race of men, the managers, who conduct but do not own"? Such men, says Strachey, "had to be born". But the point is that the *directors*, whatever their right to be called "a new race of men", had to be born with silver spoons in their mouths. For in the majority of cases the original owner of the concern, or group of original owners, has never parted with control of the concern. When a family concern, needing more capital for expansion, becomes a public company and admits large numbers of the "public" to bring in their money and share in the profits, this additional capital is handed over to be *managed* by the original family or group. Most of the big monopolies of today started as private companies, owned by a

family or small group; if in the course of development as a public company control passes out of the hands of that original founding group (Crosland's *entrepreneurs*), it does not pass to their managers or to faceless directors, but to another similar group through some form of "take-over", which then places its representatives on the Board of Directors. Such transactions used to take place behind the scenes: the "take-over bids" of recent years have been carried through with maximum publicity. But in all cases an individual or group of extremely wealthy people negotiates with another similar group, and the fact that the terms are eventually submitted to the general body of shareholders does not in any way alter the facts of control by a narrow group.

The general character of the "class" of directors was well brought out in a symposium published in January 1959 by the Manchester School of Economic and Social Studies in connection with the Bank Rate Leak Tribunal. One of the essays was on "The Social Background and Connections of 'Top Decision Makers' ". Apart from members of the Government and Senior Civil Servants, who do not concern us in this connection, the enquiry covered the social background and connections of directors of the Bank of England, of the "Big Five" Banks, of "City" firms, and of Insurance Companies. It is true that directors of industrial companies were not examined as such; but a high proportion of the directors of banks, finance and insurance companies brought in to the enquiry were also directors of industrial companies. And what did the enquiry show? "The most important feature of the diagrams we present below is the recurrence of certain long-established family names." And the comment is made: "What might seem surprising is that kinship connections of this kind have persisted through many changes in the scale and functions of banking, in the organisation of industry, and in the complexity of politics." But it would not have seemed surprising to the authors of this essay had they linked the "recurrence of certain long-established family names" with the material basis for this recurrence, namely, certain long-established family fortunes.



For these "Top Decision Makers" are by no means "a new race of men, who conduct but do not own". On the contrary, they conduct because they own, or are kin to those who own. Their outlook and motives are those of owners, whatever their personal shareholdings in the companies of which they are directors.

All in all, while no one denies that efficient managers without any considerable shareholding<sup>1</sup> often find their way to seats on the Boards of Directors, the suggestion that ownership and management have "been put asunder" does not seem very credible, at any rate as a general statement.

But even in so far as it is true—even if there are a number of companies in which the owners are completely passive, and leave everything to non-owning managers—how is this evidence that "the very nature of capitalism" has changed? Strachey writes:

"It became apparent that the managers were not conducting those large and few enterprises in the same manner, or wholly with the same objects, as were conducted the individual enterprises of the former managing-owners" (*Contemporary Capitalism*, p. 36).

How did it become apparent? What did the managers do that was different? Strachey does not let us into the secret. But he adds:

"If they had attempted to conduct the giant enterprises of today in the strict tradition of the individual capitalist, seeking, with singleness of mind, to maximise his profit, they would have disrupted the whole social fabric in a few years" (p. 37).

What is the evidence that the managers of the monopolies, whether owners or non-owners, have managed to avoid disrupting the whole social fabric (whatever that means—but it sounds good) by *not* seeking, with singleness of mind,

<sup>1</sup> In fact, such managers are often given a large block of shares on appointment as directors.

to maximise their profit? It would be an extremely difficult thing to prove—and libellous to assert—that the profits of Imperial Chemical Industries, or Unilever, or the American companies like Standard Oil and Fords, could have been much higher but for their managers' reluctance to maximise their profits. Certainly the huge and increasing profits of these companies do not lend much colour to Strachey's assertion.

However, even if monopoly prices are not always pushed as high as they might be, this has nothing whatever to do with what sort of person controls the monopoly, owner or non-owning manager. Monopolies are not exempt from the general movement of the capitalist trade cycle in which they are operating. Naturally, they hold out better than the smaller concerns; but in the end, just like "the individual enterprises of the former managing-owners", they have to cut their prices and their profit.

At a later stage of his book (p. 194) Strachey makes an attempt to explain what he means by the "different motives" which he alleges govern the manager-non-owner as distinct from the owner-manager. He describes the massive accumulation out of profits made by I.C.I. and United States corporations, and asks "why the directors of the boards of the oligopolies<sup>1</sup> accumulate in this way, if the process benefits them, individually and financially, but remotely, if at all?"

The answer which he gives to his own question hardly advances his case. He says:

"The answer is no doubt complex; but in the main, surely, it must be that they accumulate in order to enhance the power and success of their organisations: they accumulate in order to be the directors of a concern of the first rather than the second magnitude. They accumulate for

<sup>1</sup> Strachey uses "oligopoly" instead of monopoly, on the ground that control of an industry is seldom in the hands of *one* firm, but is usually shared between *a few* firms. This is to minimise the significance of what everyone understands by monopoly—control by a few giants who determine price and production policy, so that no new competitor or smaller firm can butt in.



fear that their corporation will lag behind in the race for technical improvement, and may thus ultimately be swallowed up by a rival."

This explanation of the motives of the manager-non-owner would apply in its entirety to the motives of an owner-manager, so that Strachey has not established the point he was trying to prove. Nor is accumulation with these motives something new, which first appeared with the rise of "giant firms". A hundred years ago Marx wrote:

"The development of capitalist production makes it constantly necessary to keep increasing the amount of capital laid out in a given industrial undertaking. It compels each individual capitalist to keep constantly increasing his capital, in order to preserve it, but extend it he cannot, except by means of progressive accumulation" (*Capital*, I, p. 592).

That is to say, accumulation and expansion are not only *desired* by owners of capital to make their concern "first rather than the second magnitude": they are a *necessity* for capitalist production. The "top decision makers" in any concern, whether owners or managers-non-owners, are engaged in capitalist production, and it doesn't matter what their motives as individuals are—accumulation and expansion are essential for the survival of the concerns they are running. Managers are as much in the system as owners, and cannot escape the laws of the system. That the fundamental motives of accumulation and expansion survive even in alleged managers-non-owners is the very opposite of proof that the nature of capitalism has changed—it proves above all that its nature has remained the same. When Strachey contrasts "real, old-fashioned self enrichment" to the desire of modern directors of big firms that "their show" should expand and succeed, he is making a distinction where there is no difference.

Before leaving the subject, however, it is useful to ask: why the whole build-up by Strachey, Crosland and other

right-wing Labour spokesmen about the alleged separation of ownership from management, and the managers of the big firms having "different motives" from profit?

The answer is that it is a necessary link in the development of apologetics for monopoly capitalism. If you can prove that the capitalists have disappeared or lost control, if maximum profit is no longer the aim of those who manage the monopolies then it becomes plausible to assert, as the Gaitskell-inspired Labour Party document *Industry and Society* does, that "the large firms on the whole are serving the nation well"; there is no need to nationalise them, but rather, since they are run for expansion, let us buy shares in them and share in their prosperity.

### 3. *Capitalist ideology has changed*

Among the "salient features" of old-time, bad capitalism, according to Crosland, was its association with an ideology whose essential features were: "the veneration of individualism and competition"; an insistence on the absolute and unconditional rights of private property; and the belief that "the unfettered exercise of private rights must . . . maximise the welfare of the community" (*The Future of Socialism*, p. 64).

But now, he continues, that old bad ideology no longer exists: "No one would argue now that in the contemporary Welfare State the dominant ideology was one of self-help or aggressive individualism"; and "even within the business class itself . . . the worship of individualism has given way to a positive cult of team-work and group action". He adds as if to clinch the argument: "Even Conservatives borrow moral standards and criteria that used to belong to the Left". All of this, it must be explained, is part of his alleged proof that post-war society is no longer capitalism. The words are Crosland's: but he is certainly reflecting views on the increased amiability of the capitalists that are widely held in right-wing Labour circles.

It is extremely difficult to prove what is or is not the present ideology of capitalists or "the business class": but not so difficult to show the factors which influence their activities.



With the growth of monopoly and the vast expansion of the big companies, coupled with the great technical advances of recent years, it would indeed be strange if a rugged individualism on the managing director's part (in so far as this was once usual) had not given way to team-work. But is the object for which this team-work is now necessary any different from the object of old-time rugged individualism? Are they not both means, adapted to the conditions of the day, to the end of successful profit-making?

It may be possible to run a *Daily Express* by aggressive individualism without any danger to capital or profit—but it would hardly pay in Imperial Chemical Industries, with its far-ranging empire. If aggressive individualism is not the dominant characteristic of those who actually manage large concerns, has it really vanished from the empire builders, the new type of entrepreneurs such as King, Clore and Thomson?

As for "group action", whatever the present consultative methods at the top of a concern, there is precious little consultation between managers or directors and workers, which might indeed show some change in the capitalist's ideology. On the other hand, there is certainly more group fixing of prices among the capitalists than there used to be, more group agreements to put in the same tenders for contracts or to allot contracts among the groups, and above all, more grouping of diverse companies under the same control. But this kind of group action, which can hardly be taken as proof of a changed ideology on the part of the capitalists, is no part of Crosland's analysis.

As for Conservatives borrowing the clothes of what Crosland calls the Left—meaning the Labour leaders—this is hardly a new development: the Tories have always been quicker off the mark than the Labour leaders—for example, in going to Moscow. But even if today they are still more agile than they used to be, how can this be taken as part proof of a change in the profit-making system?

All this alleged ideological transformation of the capitalists reaches its highest point of absurdity in Crosland's further

point: that "the intense class antagonism" (*The Future of Socialism*, p. 65) of old-time capitalism has gone. Now, he says, "this heavy, lowering atmosphere has largely lifted", though "we still have strikes, hostilities, and periodic outbursts of emotion" (which he later defines as unofficial strikes). "The temper of political controversy is now much calmer," he adds (p. 66). And he goes on:

"One could never today use descriptive language which seemed quite apt even twenty years ago. 'The forces of capitalism,' wrote Laski, 'are highly integrated, [and] have the self-confidence which comes from the absence, so far, of any serious challenge to their authority. . . . All the main instruments of power and property are in their hands. . . . If democracy stands in the way, so much the worse for democracy. . . . If democracy will not stand much longer the poverty and unemployment . . . then they are prepared for the destruction of democracy.' Today this sounds like an echo from another world."

It is true that the later sentences quoted from Laski were written at a time when the immediate threat was the spread of fascism, and that the defeat of fascism in the second world war, the advance of socialism and of the working-class movement may have seemed to make that danger remote.<sup>1</sup> But in throwing out the bath water Crosland also discards the baby: "The forces of capitalism are highly integrated . . . the absence, so far, of any serious challenge to their authority. . . . All the main instruments of power and property are in their hands"—this is not an echo from another world, but a pretty fair description of the world in which Crosland is living.

Warming to his theme, however, Crosland tells how the old-time working-class leaders declined to mix socially with the governing class, and contrasts this with "the more amiable and sociable attitude of contemporary leaders". A footnote

<sup>1</sup> It was, however, by no means remote: Adenauer Germany, De Gaulle France, Franco Spain and Salazar Portugal bear witness to this, apart from the many military-fascist States in the "Free World" as a whole.



explains that it was "the genuine and trusted leaders" who refused to mix socially with the governing class, "as opposed to the future deserters, like MacDonald, who are gradually seduced by the 'aristocratic embrace'."

He seems not to imagine for a moment that "the more amiable and sociable attitude of contemporary leaders" may be due not to any easing of "the intense class antagonism", but merely to the fact that the aristocratic embrace has today a wider spread.

No, Crosland can only see the velvet glove held out to him and those of his colleagues who have that "more amiable and sociable attitude" to the ruling class and its Tory spokesmen. And in fact the iron hand is not for the likes of him: it is only for the workers who, in between what he contemptuously calls their "strikes, hostilities, and periodic outbursts of emotion", are day in and day out producing profits for their employers.

If the temper of political controversy is now much calmer in the *House of Commons*, it is precisely because of the "aristocratic embrace" which has enveloped the Labour leadership and its hangers-on among the Labour M.P.s, who with their Establishment-dominated respectability hasten to repudiate any class note that may break through from the back benches. This calmness of temper has not been so much in evidence outside the House, in the police action against tenants in St. Pancras, for instance.

The belief that the ideology of the capitalists has changed is by no means merely a delusion of Crosland's. It runs through Gaitskell's "The social barriers have crumbled" (*Recent Developments in British Socialist Thinking*, 1956, p. 1), Strachey's presentation of the "new motives" of managers of monopoly concerns, and above all in the constant right-wing Labour preaching of class peace, and acts of class-collaboration.

## Chapter Three

### HOW THEY ENDED EXPLOITATION

The right-wing Labour "theoreticians" want to show not only that there are no more capitalists, but also that there are no more workers, no longer classes within society—a proposition which sometimes takes the form that we are all capitalists now, or alternatively that we are all workers now. Either way you like it, the aim is to show that in post-war society there is no longer exploitation of the workers: that their alleged "exploitation" is merely a hangover from the bad old days when Marx wrote, and that the workers are now so well off that they have lost interest in material things.

#### 1. Profits and surplus

What did Marx mean by exploitation? Not just sweated wages or particularly hard treatment of the workers. These may indeed make the exploitation worse. But whether the wages paid are relatively high or low, all workers (and that includes foremen, technicians and scientists) associated with the capitalist productive process are exploited, because they do not get the full value of what they produce, a part of this value being taken from them by the capitalists.

How does this come about? Because in capitalist society the worker's labour power is a commodity which the capitalists buy at or around its current value (what determines this value is dealt with later). When however that labour power is set to work, it adds to the raw materials and machinery used up more value than the capitalist paid for the labour power. This *surplus value* (in money terms, the excess of what the capitalist gets from selling the product over the wages paid



for making it) is taken by the capitalist as profit, though he may have to share it with moneylenders to whom he pays interest or landowners to whom he pays ground rent. This appropriation by the capitalist of a part of the value created by another man's labour is what Marx meant by exploitation, and it is the ownership by the capitalist of the means of production which enables him to exploit his workers in this way.

That is why the ending of capitalist ownership of the means of production, and their ownership by the people as a whole, has always been seen by socialists as the ending of exploitation of man by man, the foundation of a socialist society. In such a society the whole product of their labour is owned by the workers; there is no class of owners to take a part of it from them. Part of the whole product comes to them directly in the form of wages; the rest forms a social fund from which they and their families benefit along with the people as a whole, in the form of social and other public services, and new factories which increase production and help to raise living and cultural standards in coming years.

Now let us see how Crosland gets rid of exploitation in capitalist society without ending capital or profit.

He starts with a fair enough account of Marx's view of exploitation (*The Future of Socialism*, p. 416): labour produces a total value greater than its current wage; this surplus value accrues to the capitalists; it is the appropriation of this surplus value in the form of profit which constitutes exploitation.

"But," Crosland continues, "in fact the emergence of surplus value, or profit, is in no way dependent on the conditions of capitalist production. It must occur in any society, whoever owns the means of production"—for otherwise, he argues, there could be no expansion of the economy, nor could any necessary central expenditure be met. "The creation and appropriation of surplus value are thus an absolute precondition of economic growth. This is equally true of a communist as of a capitalist country; it is wholly irrespective of how and to whom the surplus value initially accrues."

It is perfectly true, of a communist as of a capitalist country, that if the workers directly consumed all the wealth, or added

value, that they create, there would be no possibility of expanding the economy, or of maintaining any schools, hospitals or other services provided by a central or local authority.

This generalisation, however, is no ground for confusing two entirely different things. The surplus value appropriated by the capitalist class and used by it to expand production for its own further profit is an entirely different thing from the part of the product of a worker in a socialist country which is not directly consumed by him but transferred to a social fund.

"How and to whom the surplus value initially accrues" (more correctly, the *surplus* in a socialist society, since *surplus value* only applies in capitalism) is the vital question. Far from being irrelevant, it determines the character of the society—whether it is a society built on the exploitation of the actual producers of wealth by an owning class, or a society in which the means of production are owned by society itself and the surplus not consumed by the workers is social property, used to meet the needs of all members of society. It is not an abstract question of finding the correct definition of profit and socialist surplus, but a very practical question determining the lives and welfare of human beings and the progress of mankind.

The fact that in capitalist society the chief means of production are owned by a relatively small class, to whom the surplus value created by the workers "initially accrues", has far-reaching consequences. It is not merely the unjust distribution of the social product, the privileges and luxuries enjoyed by the owning class while the actual producers get a much lower standard of living. Far more important are the economic as well as broadly social consequences of the appropriation of the surplus value by a narrow class.

As experience has abundantly shown, the accumulation of the surplus by that narrow class leads to the drive to expand productive capacity in order to get more profits, while the purchasing power of the actual producers and the non-owning class in general is kept down. Sooner or later the expansion of productive capacity outstrips the purchasing



power of the people, and production is slowed down or stopped because it is no longer profitable. Hence arises idle productive capacity,<sup>1</sup> and even destruction of existing capacity and products, with unemployment or short-time working for the producers; the whole advance of society is checked. The drive for higher profits leads also to colonial wars and the exploitation of other peoples, to wars between the capitalist States for the redivision of the colonial world, and to the drive for armaments and armed intervention against peoples who have put an end to the profit-making system in their country or thrown off imperialist rule.

But in socialist society, because the surplus initially accrues not to capitalists but to society as a whole, the expansion of the economy is entirely directed to meeting the needs of the people. Production is planned, and the distribution of the products is planned: the purchasing power of the people expands along with productive capacity, and so there is never a crisis, never unemployment; far from there being any incentive to war, peace is the first condition for the further expansion of production and the further raising of the standard of living.

And what about wages? In capitalist society the level of wages is in general determined by the cost of living (not bare physical existence, but the standard won by the working class).<sup>2</sup> The "surplus value" created by the workers is the difference between the value of what it costs to keep them going (wages) and the value they create. In socialist society the entire basis of wages is different: labour power is not a commodity, and therefore wages are not restricted. Apart from the fact that social services (which the workers do not pay for) are constantly expanding, the wages too are constantly rising as the level of production rises, since the aim of production is to meet their needs.

<sup>1</sup> Not only in the 1930s. *Moody's Stock Survey* (April 3, 1961) says that for United States industry as a whole "only a little more than 70 per cent of industrial capacity" was then being used.

<sup>2</sup> Strachey's argument against this "fodder basis" for wages is dealt with later.

Therefore the surplus value created by the workers in capitalist society is not at all the same thing as the surplus created by the workers in socialist society, and Crosland's attempt to confuse the two is only plausible because he uses the words "surplus value" for both.

But Crosland's purpose is to justify capitalist society; he goes on: "In the light of this manifest indispensability of surplus value, or profit, it hardly makes sense for socialists to object to it on principle" (p. 417).

So capitalist profit must not be objected to, and it is only a short step from there to proclaim the need for more profit in order to secure more investment, and to justify a wage freeze as a means to ensure higher profits and more rapid expansion of the economy.

This was in practice the policy of the Labour Government. It was the essence of the statement on *Personal Incomes, Costs and Prices* read by Attlee to the House of Commons on February 4, 1948. In form an appeal for the stabilisation of dividends as well as wages, of profits as well as prices, the statement was accepted by the General Council of the Trades Union Congress on February 18, "on condition that the Government pursues vigorously and firmly a policy designed not only to stabilise but to reduce profits and prices".

But although wages were held down for a time (until the trade unions broke through the wage freeze) profits continued to rise, and at the Trades Union Congress in September 1948 a resolution was moved calling on the Government to introduce statutory control of profits and dividends. The resolution was defeated by the right-wing majority, with Sir George Chester, of the Boot and Shoe Operatives, opposing it in these terms:

"Do ask yourselves what profit is. . . . Few of us realise that marginal surplus or profit is essential to the conduct of British industry, whether it be nationalised or in private hands. . . . Examine this question of profit if you like in relation to the policy of full employment, and you will find it awfully difficult to restrain or limit profit."



In practice the Labour Government took the same view: wages were restrained with the help of the right-wing trade union leaders, but the Government found it "awfully difficult" to do more than make appealing gestures to the capitalists as prices and profits rose.

This is the fate of all promises of "equal sacrifices"—the workers to freeze wages, the capitalists to freeze prices and profits. Repeatedly the right-wing Labour leaders have used this appeal—under Tory as well as Labour Governments—to damp down the pressure for increased wages. And when protests are made that the capitalists show no sign of keeping their side of the proposed bargain, these are met by saying that profits are essential, and the higher they are the more British industry will expand and the more employment there will be.

## 2. What determines wages?

A more elaborate effort to do away with the idea of exploitation is made by Strachey. For Marx, the level of wages in general is determined by the cost of maintaining the worker and his family. This general proposition needs to be amplified in order to show how it is affected by various factors, some of which are mentioned in what follows.

However, one of the most popular "refutations" of Marx, advanced by capitalist economists and their right-wing Labour satellites, is to distort this general statement into a dogma by Marx that wages could never rise above the physical subsistence level of the time when he wrote—a hundred years ago. Once Marx has been convicted of holding this view—and a mere assertion is considered enough to convict—it is not difficult also to "prove" that Marx is out of date, however justified his argument may have been in the dark Victorian ages. Gaitskell doesn't even attempt to "prove" anything: he dismisses Marx's labour theory of value with the remark in brackets: "the fallacies in which have been frequently exposed" (*Recent Developments in British Socialist Thinking*, p. 3).

Crosland, referring to statistics of national income and

real wages, shows that "real wages moved roughly in line with income per head",<sup>1</sup> and therefore Marx's alleged subsistence level of a century ago is disproved. Strachey, making the same point, extends his attack to the labour theory of value—"a subsistence theory of wages has always been . . . an essential part of the labour theory of value. But wages have not remained at subsistence" (Strachey, *Contemporary Capitalism*, p. 64). We shall come to the labour theory of value later: for the moment the question is whether Marx advanced a theory that wages were determined by physical subsistence in the sense that Crosland and Strachey assert he did.

The passage usually taken to establish that Marx thought the workers could never improve their conditions is:

"Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation" (*Capital*, I, Ch. XXXII).

How does Strachey handle this passage? He writes:

"Thus, not only would there be no improvement in the conditions of the wage earners as total production increased, but capitalism would . . . actually force down the standard of life of the workers below its true value, which was subsistence level" (*Contemporary Capitalism*, p. 101).

But Marx's words do not say this; they do not refer to value or subsistence level at all, or to wages, but to misery, oppression, slavery, degradation, exploitation—general social, political and economic terms. And because this is so, it is quite useless for Crosland or Strachey or any other "interpreters" of Marx to wave statistics of the real wages of British workers then and now as if they were a triumphant refutation of what Marx thought.

<sup>1</sup> Crosland, *The Future of Socialism*, p. 21.



That this approach of Marx's refers to social conditions and not to wages as such is emphasised in other passages in *Capital* where Marx is dealing with the results of the accumulation of capital and increased productivity due to technical progress. He argues that all methods for raising the social productiveness of labour "mutilate the labourer into the fragment of a man, degrade him to the level of an appendage of a machine, destroy every remnant of charm in his work and turn it into a hated toil" (the kind of thing that Charlie Chaplin presents in *Modern Times*): "they estrange from him the intellectual potentialities of the labour-process in the same proportion as science is incorporated in it as an independent power". This passage concludes: "Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole" (*Capital*, I, Ch. XXV, section 4).

It is easy to say that such an account of the conditions of the workers does not apply in some advanced capitalist countries today—but it is fair enough in relation to other capitalist areas, for example, for workers in the textile mills in Hong Kong or in mines in Africa. And in so far as it does not apply in any particular capitalist area, this is not due to any change of heart among the capitalists or change of the nature of capitalism, but to the organisation and struggle, industrial and political, of the working class.

After all, however, that is not the point. What Strachey is trying to prove is that Marx "undoubtedly envisaged that the actual, concrete heap of commodities which the wage earner received each week would get even smaller than it was in the hungry 'forties" of last century (*Contemporary Capitalism*, p. 129).

But Marx envisaged nothing of the sort. Strachey's assertion is wholly at variance with a number of passages in which Marx discusses the value of labour-power.

Starting from the general statement that "the value of labour-power is determined, as in the case of every other commodity, by the labour-time necessary for the production,

and consequently also the reproduction, of this special article" (*Capital*, I, p. 170), Marx then deals with the individual labourer—"the value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer". But does this mean *physical subsistence*, "the heap of commodities" of the 1840s, as Strachey interprets it? Marx immediately makes it clear that this is not so:

"His natural wants, such as food, clothing, fuel and housing, vary according to the climatic and other physical conditions of his country. On the other hand, the number and extent of his so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development, and depend therefore to a great extent on the degree of civilisation of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free labourers has been formed. In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labour-power a historical and moral element" (p. 171).

Again, in regard to the value of special kinds of labour-power: "a special education or training is requisite, and this, on its part, costs an equivalent in commodities of a greater or less amount". For this reason alone, apart from other factors, the general level of the value of labour-power today, when the average level of education and training is so much higher than in the 1840s, would be much higher in Marx's view, as indeed it is in fact. In these and other passages Marx makes it absolutely clear that his conception of the value of labour-power, and hence of the general level of wages, is not at all the equivalent of *physical subsistence*, and in fact he refers to "the value of those means of subsistence that are physically indispensable" as "the *minimum limit* of the value of labour-power" (p. 173).

Why, with all his Marxist pretensions, does Strachey ignore this? Because he wants, on the one hand, to prepare the



ground for discrediting the labour theory of value, and therefore the Marxist explanation of surplus value and profit; and on the other hand, to attack the communists.

This is how he proceeds: he repeats the charge that Marx believed that "the overriding 'law' of capitalism was that the workers must sink deeper and deeper into ever increasing misery"; then he argues that this did not happen, as their real wages have risen and not fallen. Where Marx went wrong, he says, was in considering "increasing misery" to be a *law*, whereas it is only a *tendency* and not a *law*. This "error" of Marx's then becomes the basis for Strachey's assertion that Marx's economic analysis was fully justified, but his political analysis was hopelessly wrong:

"His predictions would have been justified, instead of falsified, by the event if only he had been content to diagnose a tendency instead of an irreversible 'law'. . . . This tendency has been overruled . . . by essentially non-economic forces, the existence of which Marx overlooked" (*Contemporary Capitalism*, p. 110).

What is the difference between a "tendency" and a "law"? According to Strachey, a law is irreversible,<sup>1</sup> but a tendency can be overruled. But surely the law of gravity is a "law" in the fully scientific meaning of the term? Does it mean that in no circumstances can it be "overruled", that nothing heavier than air can ever fly? If, as experience suggests, it can be so overruled by aeroplanes, it would appear that gravity is only a tendency, not a law. How nonsensical Strachey's argument is—but it is his "devastating" case against Marx: Marx overlooked "the 'countervailing power' of a Labour movement" (p. 110) and so the whole increase in wealth did not go to a small class of owners, as Marx expected.

Like most of Strachey's statements about Marx, this is quite untrue. Far from overlooking this "countervailing

<sup>1</sup> Marx, referring to what he calls "the absolute general law of capitalist accumulation", adds: "Like all other laws it is modified in its working by many circumstances" (*Capital*, I, p. 644).

power", Marx spent a great deal of his energy in building it up.

Ah, says Strachey, quite inconsistently, to be sure he did; don't imagine I don't know that. But it didn't mean that Marx thought the "small gains" which the trade union and political organisations of the working class might win—"temporarily, within the capitalist system" (p. 106)—were important. (Here we have "small gains": but Strachey's case is that Marx believed in *absolute increasing misery*.) But, Strachey goes on, Marx thought that "in spite of the fact that these efforts could not, on the whole, win immediate advantages" (what is the difference between "small gains", which they could win, and "immediate advantages", which they could not?) the efforts were nevertheless worth while: "They were the great school in which the workers developed their power to overturn the system itself."

And so, Strachey continues, ever since Marx made the error of thinking that the workers "could not make substantial gains until capitalism was overthrown", communists "have never believed in the possibility of substantial or permanent gains within capitalism; they have always felt that what really mattered was not the exact outcome of the particular strike but its educative effect on the workers. This basically different attitude has often led, and still leads, the communists, in spite of their extraordinary enthusiasm, ardour and self-sacrifice, to prove themselves disastrously incompetent leaders for the trade unions" (pp. 107-8).

Who? When? In what way? Strachey gives no evidence of any kind for this assertion, as for so many others throughout his book. In fact, as any trade unionist could tell him, communists do not become "leaders for the trade unions" unless they have proved themselves extremely competent precisely for the job of leading the workers in a factory or mine or trade or industry to win substantial gains and to maintain them within capitalism. It is their competence as leaders to win the actual demands of the workers that results—in spite of the united front against communists of employers, the Press, the B.B.C. and T.V., with the right-wing trade



union and Labour Party leaders—in communists being elected to leading positions in the trade union movement. “Enthusiasm, ardour and self-sacrifice” not devoted to such a purpose wouldn’t get them very far.

And who, in Strachey’s opinion, are the “competent” trade union leaders? Evidently the anti-communists, the leaders who persistently seek to justify wage restraint in the interests of “protecting the pound” or “stabilising the economy”, who drag out the anti-communist bogey whenever workers stand up for themselves, who refuse to support strikes and do their best to sabotage them if they develop. Do such leaders believe in the possibility of substantial and permanent gains within capitalism? All the more shame to them if they do. For their actions are directed to sacrificing the workers’ immediate gains, not even in the interests of a socialist future, but in the interests of whatever propaganda objective the property-owning class advances from time to time.

On the basis of a complete distortion of Marx and of the outlook of communists, Strachey thus shows his loyalty to the employing class. But let us see what Marx really said on this point. A passage in the *Communist Manifesto* is absolutely clear:

“The Communists fight for the immediate aims, for the enforcement of the immediate interests of the working class; but in the movement of the present they also represent and take care of the future of that movement.”

What is there in this of the “impossibility of winning immediate advantages”, and using strikes only for the sake of the ultimate revolution? Nothing at all. Marx’s view, and the view of communists at all times, and I think the view of all socialists in the Labour movement, is the quite straightforward one that the working class, through the organisations it has set up for this purpose, can and will fight and win immediate gains within capitalism; that, however, these gains are never secure under capitalism (the Tory attack on the Health Service is a topical illustration), and the working

class should therefore also look to the future—the ending of capitalism and the building of a socialist society, in which the gains will be both immensely greater and also secure.

Since Strachey presents Marx’s view of the value of labour-power as if it not only cannot rise but must go down, and regards this as the fundamental “error” which makes Marxism out of date and communists incompetent trade union leaders, let us see what the position is today.

The standard of living of the workers is not something static, and never will be. What Marx called the *minimum* basis is—to use Strachey’s words—“a heap of commodities made up of food, shelter, clothing, etc. . . . needed to sustain the worker and his family for the week.”

In certain circumstances, even this minimum basis may not be reached in capitalist society. In India in the past—and not only in the past—and in colonial Africa today as well as the Middle East, wages may not cover what is needed to sustain a worker and his family for the week. In many areas there is such hunger in the villages that men drift to the towns in search of employment in such numbers that the employers feel no need to keep their workers, still less the families of these workers, alive: workers can easily be replaced when they wear out, and far more cheaply than machinery. Or the form of taxation compels men from the villages to seek employment for money wages at almost any price, and the price actually given, in conjunction with the conditions of their labour, hardly reaches subsistence for the men, without thinking of their families. In fact, as a rule the families have to be left behind to fend for themselves on an inadequate plot of land.<sup>1</sup>

In many parts of the capitalist world, therefore, even in the days of the alleged “Welfare State” and “Affluent Society”, the standard of living of even employed workers is appallingly low, and no number of television sets or cars in Britain or the United States can alter this.

In regard to the workers in advanced capitalist countries, no one doubts that the standard of living, measured in the

<sup>1</sup> See Jack Woddis: *Africa; The Roots of Revolt*, Chs. 2, 3, 4.



"heap of commodities" available to employed workers, has considerably improved since not only the 1840s but the 1930s. But not so smoothly and continuously as Strachey suggests. For example, the statistics show that in the years from 1900 to 1914 real wages fell by about 10 per cent; and this was also the case for large sections of even employed workers during the 1930s. But all in all, over a long period trade union organisation and struggle have succeeded in raising the workers' standard of living, and therefore the value of labour-power as measured in real wages has certainly risen. This has corresponded too with the needs of capital: the constant advance in technique has required a more educated and trained working class, involving greater expenditure and thus raising the value of the labour-power produced. But every economic crisis checks the upward movement, and may bring a sharp downward movement for millions of workers and their families. Even in 1960-1 the undoubtedly high standards, measured in commodities, of the fully employed workers in the United States were certainly not enjoyed by some five million unemployed workers and their families, or even by the majority of the Negro population. And if we think of employed workers in Britain in 1960, while men's average wages in all industries were round about £11 a week, the threat of a railway strike was needed to raise the wages of the lowest paid railwaymen above £7 12s. 6d. a week. And workers in many industries are still getting less than £10 a week, while the average wages of women are only about two-thirds of that.

How then are we to understand the movement of real wages—accepting these, for lack of any better criterion, as the measure of the value of labour-power—in capitalist society on a world scale?

Always as a fluctuating process, not a steady movement up or down, because it is dependent in the first place on the fluctuations in capitalist economy, but also because it is influenced by many other factors, including the stage of development of capitalism and of the trade union and political working-class movement in each particular country. As both

capitalism and the working-class movement have developed, the trend of real wages has in general been upward—though considerable sections of the workers may lag behind the general advance. Recurrent economic crises check the upward movement, and may even reverse it for a time; profits above the current average, arising from colonial exploitation, may make the upward movement easier for some sections of the working class.<sup>1</sup>

In countries where an advanced capitalism is combined with an undeveloped—even non-existent—working-class movement, as has been the case in all underdeveloped countries exploited by foreign capital, real wages may remain stagnant or even fall over long periods. The latter was the case, for example, in the African colonies after the second world war, when money wages lagged far behind the rise in prices for consumer goods.

*Every* rise in the prices of consumer goods which enter into the normal working-class budget (including rent, fares, etc.) forces down real wages for a time. In Britain there were repeated periods since the war when this took place, and only months or even years later was the previous level recovered. In France the rise in prices since before the war was not made good in money wages over a long period, so that there was a definite fall in the general level of real wages.

Alongside the movement of wages as recorded in official statistics—which show that real wages are fluctuating and not regularly rising as some New Thinkers pretend—there is the very big factor of temporary or long-continued unemployment and also sickness, pulling down the general average standards of the workers, in spite of all social services.

Then there is the incidence of taxation and rates, apart

<sup>1</sup> The attempt by Strachey and others to show that Britain does not benefit from exploitation of colonial peoples is only plausible because two quite different things are confused: the costs to the British State, met by general taxation; and the profits from colonial exploitation, which come to particular monopolies. The State pays the expenses, the monopolies draw the profits.



from the items allowed for in the official cost of living index; and such factors as the pressure of landlords on tenants to do decorations and repairs themselves.

It is against this whole background that the struggle of the workers to maintain and improve their standard of living takes place—a struggle which has in fact succeeded over a long period in raising the working-class standard of living in some advanced capitalist countries, but has not been so markedly successful in other parts of the capitalist world.

What of Strachey's "heap of commodities"? Has it not grown very much larger?

Of course it has, in advanced capitalist countries—little if at all for many workers in other parts of the capitalist world. Wireless sets, TV, refrigerators, washing machines, cars, mark a definite advance from gramophones and bicycles—themselves a big advance on the previous "heap of commodities" provided by wages. But does this mean that workers used to get the value of their labour-power, and now get much more than that?

It does not mean this. Firstly because the advance of technique means that the same expenditure of labour ("live" labour plus the "dead" labour embodied in machinery, etc.) produces more products, so that to be able to buy two suits of clothes instead of one may not mean any increase in the value of the wages. But also because the value of labour-power has increased, through working-class struggle enforcing the demand for a higher standard. Each such advance establishes a new value for labour-power, at first for one section of workers and gradually extending to wider sections and raising the general level.

Is there any meaning in saying that such an established higher level becomes the new *value* of labour-power, in the sense that an enlarged "heap of commodities" is now essential to the maintenance of the worker and his family?

We have only to look at the actual wages struggle to see that there is a great deal of meaning in it. Every industrially developed capitalist country keeps, in one form or another, an official cost-of-living index which is related to the "heap

of commodities" consumed by an average working-class family at a selected date.<sup>1</sup>

When the British cost-of-living index was first started, it was built up on a family budget covering in effect "physical subsistence" items—food, rent, clothing, household goods and the like, and in fact particularly cheap varieties of these. Subsequently, this budget has been revised in an attempt to follow the actual changes that took place in the "heap of commodities" on which an average working-class family depended for existence in the broadest sense, so that for example the item of household goods which originally covered soap and domestic ironmongery was broadened in 1947 to cover furniture, carpets and various appliances, and in 1956 to cover radio sets, sewing machines and electric irons.

But the appearance of such items in the budget on which the cost-of-living index is based does not mean a sudden upward leap in the standard of living of the workers. On the contrary, their appearance means only that at that point the officials of the Ministry of Labour assume that radio sets, etc., have become a fairly normal item of expenditure in working-class households, *on the basis of the wages they have been getting*. What their appearance in the official budget means is that a part of the wages previously spent on some other items is now spent on TV, etc., in so far as we are speaking of the average wages and the average budget. What the cost-of-living index claims to record is not any absolute level of a standard of living, but merely the price changes, which bring about changes in the real wage, from some date arbitrarily chosen as the starting point. In the words of the *Ministry of Labour Gazette*, the index measures "the average increase in the cost of maintaining unchanged" the standard of living of working-class families, "irrespective of whether such standard was adequate or not".

The budget of items in certain proportions and at certain prices fixed at each revision of the index becomes the basis for measuring these changes in the standard of living of the

<sup>1</sup> This is not to say that such official indices are above suspicion; but that is not the point here.



working class—not changes in the value of labour-power, but changes of wages *from* the value of labour-power assumed at a particular date. And almost all the wage struggles of the post-war period in Britain have been to keep the “heap of commodities”, covered by wages at the date on which the index is based, still covered by wages in spite of rising prices.

Practically every wage claim on an industry basis has been at least partly founded on the diminished real wage shown by the cost-of-living index. In some industries, such as building, an automatic adjustment to rising prices takes place (always with a lag which means that employers for a time are buying labour-power *below* its accepted value). In other industries the adjustment has to be pressed for and even fought for (always with a similar lag).

In cases where, for reasons that are not relevant here, the workers have not been strong enough to maintain their “heap of commodities”, what is the result? That the employers find it increasingly difficult to maintain their labour force. That was the essence of the Guillebaud Report on railway wages in March 1960; that has been the experience of London Transport.

If in the post-war period the principal wages struggles have of necessity been aimed to *maintain* a standard of some years earlier, how is it that in fact the “heap of commodities” on which a working-class family depends has risen in size? Not at all because this is the automatic working of capitalism. But because on the average more members of the family have been working for wages; because over a long period overtime was worked pretty regularly; because in some sections of industry skilled labour has been in short supply and higher rates have been forced on the employers; because militant workers in particular factories have been able to win above-average rates; because the expansion of consumer credit has made possible an immediate increase in the individual’s “heap of commodities” at the expense of his future heap; and because technical advances have lowered the prices of some items, through reducing the amount of labour needed to produce them.

But in spite of all this, the general wages struggle remains a struggle to maintain an established standard of living, an established value of labour-power, even though the standard, the value of labour-power, is being raised by the struggle of some sections of the workers and—if current conditions continue—will become the general standard to the extent that other sections also force their way up.

If this has been the case in Britain since the war, there are large areas of the capitalist world where the established standards are far lower and virtually stagnant. Any general view of the movement of real wages under capitalism has also to take these areas into account. That on the whole the movement of real wages has been upward is true; but the picture is not so rosy and so uniform as the apologists of capitalism pretend. And it always remains true that the struggle to maintain and improve an established standard is necessary, whatever level has been won; there is no automatic sharing of the fruits of increased productivity in capitalist society.

What is the difference in practice between wages in capitalist society and wages in socialist society?

In capitalist society labour-power is a commodity that is sold by the workers and bought by the capitalists. Like all other commodities, its value, and its price which fluctuates round its value, is determined by the socially necessary labour-time which goes into its production. In the case of labour-power this means the labour-time spent on producing the “heap of commodities” needed to maintain the worker and his family at the established standard of living. That standard may be raised, given certain conditions; and the price paid for it—the wages—may therefore rise; but the level of wages is always determined by the established standard of living, and not by what the labour-power paid for can produce.

In socialist society labour-power is not a commodity. Wages are not payments for the use by an employer of another human being’s labour-power. Wages serve as one of the means of distributing to workers that part of the product



created by the labour of society which is consumable by individuals; not of course means of production or reserves. As the social product increases, the part available for distribution to individuals rises; real wages, the standard of living, rise *automatically*, in the sense that there is no conflict of interests in the distribution of the social product. Other forms of distribution to individuals, especially the social services, become increasingly important in proportion to wages, and are free, without contributions as in capitalist society. The aim of socialist production is to meet the increasing material and cultural needs of the whole of society. As the social product increases, working hours are reduced, material needs are more fully met, cultural opportunities are expanded. With the continuation of the process, the stage of abundance of all products needed by the people is reached, and wages disappear, since their function in socialist society is to distribute products which are still in limited supply, and to distribute them in accordance with the importance of particular kinds of work for the expanding economy.

Such a development is quite impossible in capitalist society. Real wages rise and hours are reduced only as a result of organised struggle by the workers, and the same struggle is needed to maintain every gain. The future holds no stage of continuous advance, or even of security at a level won.

Crosland, writing in 1956, said: "We stand, in Britain, on the threshold of mass abundance; and within a decade the average family will enjoy a standard of living which, whether or not it fully satisfies their aspirations, will certainly convince the reformer that he should turn his main attention elsewhere" (*The Future of Socialism*, p. 515). How totally unreal such an outlook is hardly needs proving: a glance at the conditions of the old age pensioners is enough, to say nothing of the wages in a number of industries, as well as the wages of women in general, let alone the unemployment and short-time working in some sections of industry.

In *Casualties of the Welfare State* (Fabian Tract 321) Audrey Harvey showed that in 1958 the National Assistance Board had to make 1,119,000 weekly allowances to people living

below subsistence level in order to supplement inadequate pension and benefit rates; that the average amount of all allowances, covering a total of 2,361,000 assisted people, was only 27s. 9d. a week; while there was an "incalculable number in bitter need who did not apply for help". And Professor Titmuss, in a broadcast in August 1960, said: "There are now about 2,500,000 people on National Assistance. Counting other dependent groups, the sick, the disabled, the handicapped, and the old who are deterred from applying for National Assistance, there may be some seven to eight million people today living precariously close to the margins of poverty."

Such is Crosland's "threshold of abundance".

Finally, if Marx's view of the trend to the accumulation of wealth at one pole and of misery at the other is not so completely unfounded even in material things as Strachey and Crosland pretend, let us see how things stand in the social and political sphere to which Marx was referring in the passage quoted by Strachey.

Those who deny this trend in capitalist society shut their eyes to the typical product of capitalism in its monopoly stage; the two world wars, the slaughter, misery and oppression which they brought to untold millions. To the bestial cruelty and degradation whose effects lasted long after the bombs and the guns were silent. To Hiroshima and Nagasaki and the terrible threat of a third world war fought with nuclear weapons. To the whole history of merciless colonial wars and the savage repression of colonial peoples. To the massacre of the Jews by German monopoly capitalism; to the massacres of Africans in South Africa, the Congo and Angola in 1961. To the dictatorships in more than half the countries of the "free world" of monopoly capitalism.

These things cannot be measured against TV sets and refrigerators, but they are far more real in dominating the lives of people. Labour apologists of capitalism cannot conjure them out of existence by shutting their eyes to them. They are the product of capitalism, their features grow more and more horrible and menacing to ordinary men and women as wealth



accumulates in the hands of the multi-millionaires. And only the united struggle of the peoples can end the utter hopelessness of the future offered by capitalist society.

### 3. *The labour theory of value*

The attack on Marx's view of how wages are determined is carried forward by Strachey to an attack on the labour theory of value in general: the theory that the general basis on which things exchange with each other is the average socially necessary labour required to produce them. In developing this theory—which had already been put forward in incomplete forms by the early British “classical” economists—Marx showed that fluctuations of supply and demand make the actual prices at which things sell vary from their value; also that, as capitalism develops and becomes the dominant form of production in a country, there is a permanent distortion of price from value which brings about a more or less equal *rate of profit* for all capitals, irrespective of the fact that some capitals may represent more, and others less, fixed capital and raw materials, etc., in proportion to the amount paid out as wages. Nevertheless, in spite of price fluctuations due to varying supply and demand, and in spite of the distortion due to the different composition of capitals in order to bring about an average rate of profit, the *basis* of prices remains the amount of labour in the things produced; the variations are variations round the value, or distortions from the value, and in no case perfectly arbitrary and bearing no relation whatever to the amount of labour embodied in them.

Strachey knows all this perfectly well. But he cannot resist, since his aim is to discredit Marx in every possible way, setting out all the hoary objections to the labour theory of value, though in the end he says:

“It remains true that ‘in equilibrium’ the number of man-hours of socially necessary labour time which have had to be used to produce commodities is the *predominant* determinant of the ratios at which they will in the long run tend to exchange with each other . . . things which

have a lot of work in them habitually do sell for more than things which have only a little work in them.”

Which is a grudging admission of the correctness of Marx's labour theory of value.

At this point it might be thought that Strachey had come down finally on the side of Marx. But then he goes on to advance what he calls “The Real Objections” to the use of the labour theory of value. He says:

“If we take man-hours of socially necessary labour time as our unit of value, we shall have no way of expressing changes in the productivity of labour. For if we use these units to add up the national product we shall get, of course, a total of man-hours. Therefore with a given working population and given hours of work that total must always be the same. If we reckon in these terms it is clearly impossible for a community ever, for example, to get any richer except by more of its inhabitants working, or by working longer hours. But this is to fly in the face of experience. Over the past 100 years many communities have got much richer . . .” (*Contemporary Capitalism*, p. 63).

In saying that, according to the labour theory of value, with a given working population and given hours of work the total value of what is produced must always be the same, Strachey is committing an elementary economic blunder. For, apart from speeding up,<sup>1</sup> changes in the productivity of labour “by means of the application of new techniques”—which is what he is referring to—involve additional capital outlay both on machinery, etc., and on the greater quantity of raw materials required for the increased number of products which an increase in productivity implies. The machinery and raw materials don't come down from heaven: they are products of human labour which have been accumulated

<sup>1</sup> On speeding up, intensification of labour, Marx wrote: “This condensation of a greater mass of labour into a given period counts for what it really is, a greater quantity of labour” (*Capital*, I, p. 410).



from, say the previous year's production. And, on the labour theory of value, they have a corresponding value.

The product of this year is the product not only of the "live labour" expended this year, but also of the "dead labour" embodied in the raw materials used up and the part of the machinery worn out in this year's process of production. The *value* of this year's product, therefore, is not the same as the value of last year's product, even though the same number of workers may have worked the same number of hours. It is greater, because of the "dead labour" which goes into the product alongside the "live labour".

Therefore Strachey's claim that, on the labour theory of value, the value of the national product must be the same in spite of increased productivity, is completely unfounded. The labour theory of value fully accounts for the increase in total value produced from year to year. The community will get richer year by year, not only in the greater *number of products* resulting from increased productivity, but in their total *value*.

Strachey's argument completely overlooks *accumulation*. If a community consumes all it produces, it cannot accumulate, it cannot grow richer. If it accumulates, it accumulates products of labour, with a certain number of labour-hours embodied in them, a certain labour value. And this is the basis (however inaccurately reflected) of the statistics in money which enter into the "National Income and Expenditure" as new capital formation. The community "gets richer" for statistical purposes in pounds; but if its product did not increase in the amount of labour it embodied, it would not increase in pounds.

Strachey's argument is in fact an old fallacy, put forward by Ricardo over a century ago and dealt with by Marx in *Theories of Surplus Value*. Quoting Ricardo's statement that "the labour of a million men in manufactures will always produce the same value", Marx notes:

"This is quite wrong. The value of the product of the million men does not depend only on their labour, but also

on the value of the capital with which they work" (Lawrence & Wishart edition, 1951, p. 419).

Strachey's second "real objection" to the labour theory of value is the one which has already been dealt with—that "a subsistence theory of wages is an essential part of the labour theory of value. But wages have not remained at subsistence." The false basis of this charge has already been shown.

Thus Strachey's "case" against the labour theory of value is grounded only on distortion and economic fallacy.

Why is he so keen to discredit the labour theory of value that he has to resort to these? Because if the labour theory of value is correct, so is Marx's account of how the value of labour-power is determined, and Marx's explanation of the source of surplus value—profit, interest and rent—in the surplus labour of the workers.

And this would put paid to the right-wing Labour assertions about the nature of capitalism having changed, or that it no longer exists: for the extraction of surplus value from the workers is the specific distinguishing feature of the capitalist mode of production, in the 1960s as in the days of Marx.

Right-wing Labour repudiates Marx's theory of surplus value because it accepts wholeheartedly the capitalist view of profit and capitalist economics in general. Profit just "accrues" to the owners of the means of production, interest "accrues" to the moneylender, ground rent "accrues" to the landowner, as if determined by a law of nature. How can anyone object "in principle" to a law of nature?

Once this view is accepted, the Labour man who holds it can only follow capitalist economic policies and regard the raising of profit as the key to the country's welfare.

But this "accruing" to the capitalist class is a law of the capitalist system of production, not a law of nature. The socialist movement was built up to end the capitalist system, to end the operation of its laws, and to bring in a new system with different laws, in which everything produced "accrues" to the whole people, and none of it to an owning class. Only an understanding of this can guide the movement to its goal.



## Chapter Four

### HOW THEY TAMED MONOPOLY CAPITALISM

It is well known that since the beginning of this century production has been increasingly concentrated in large factories, and that at the same time capital has been more and more centralised in the hands of the larger companies: that there has been a marked growth of monopoly in industry, trade and finance.

That this growth of monopoly brought certain new features into capitalist society was noted before the first world war by economists, including J. A. Hobson in Britain. In 1916 Lenin, in *Imperialism: The Highest Stage of Capitalism*, examined and analysed these new features—briefly, concentration of production and centralisation of capital leading to monopoly; the merging of industrial with financial capital; the export of capital and the division of the world among the Powers; the merging of finance capital with the State; and rivalry between the Great Powers bringing about world wars for the redivision of the world between them. And as a part of this process, the growth of an upper stratum of the labour aristocracy “who have become quite petty-bourgeois in their mode of life, in their earnings, and in their outlook”, and are “the principal social support of the bourgeoisie”.<sup>1</sup> As the title of his

<sup>1</sup> Lenin considered that the basis of “opportunism”—the right-wing Labour outlook and policy—was the bribery out of imperialist super-profits of a section of the petty bourgeoisie and certain strata of the working class, who have thus been “converted into *watchdogs* of capitalism and *corrupters* of the labour movement”. First this applied only to Britain, but with the spread of imperialism “every imperialist ‘Great’ Power can and does bribe *smaller* . . . strata of the ‘labour aristocracy’” (*Imperialism and the Split in Socialism*, 1916).

book shows, Lenin saw these new features not as in any way changing the nature of capitalism, but as indicating the highest stage of capitalist development.

For right-wing Labour, however, this whole process has a different content. The growth of monopolies or “giant firms” is said, as we have seen, to have pushed the capitalists out of business and replaced them by managers without any personal interest in profits, under whose management “such companies, in frequent touch with government departments, are normally attentive to government policy . . . and try consciously to act in the public interest” (Crosland, *The Future of Socialism*, p. 357). And since it is also argued that the State is neutral as between capitalists and workers, and is even coming under working-class influence, the growth of monopoly is by and large presented as an advance in the democratic running of industry and of society as a whole.

Strachey makes considerable use of the growth of monopoly in his argument that “the very nature of capitalism has changed”. His first point in developing this argument is that in the old days prices used to be determined by competition, but since the growth of “bigger and fewer units”—that is, monopolies—prices have become “things which may be moved, within certain limits, by the conscious decisions of groups of men”, and in his view “such a change nullifies some of the basic principles of capitalism” (*Contemporary Capitalism*, p. 27). He adds that “a tacit understanding to abstain from the basic feature of competition, which is competitive pricing, is the essence of the metamorphosis which has taken place in our economy”.

He does not attempt to explain *how* the more or less arbitrary fixing of prices—which, as we shall see, is by no means so universal as he implies—changes the “basic principles of capitalism” and brings about a “metamorphosis”; he does not attempt to explain the effect of monopoly prices.

Although Marx lived before the days of great and widespread monopolies he was perfectly well aware of the tendency to concentration of production and of capital—“one capitalist kills many”. And he was perfectly well aware of the fact that



monopolies fix monopoly prices. In the case of "artificial or natural monopolies", he says, "the monopoly prices of certain commodities would merely transfer a portion of the profit of the other commodity-producers to the commodities having the monopoly price" (*Capital*, III, p. 839). This applies to monopolies in products which are means of production—which enter into other manufactured products as machinery, raw materials or auxiliary materials. The monopoly price for such products increases the costs of other capitalists, reducing their profit while it increases the profit of the monopolistic concern. In the case of consumer goods which enter into the worker's normal budget, a monopoly price "would be paid by a deduction from real wages" unless wages were raised to meet this higher cost of living; if wages were so raised, again this would cut into the profits of other capitalists for the benefit of the profits of the monopoly.

And in fact this is what in essence still takes place, although the spreading of monopoly may make it more difficult to trace the process in detail. Nevertheless, the relation between the profits of the big concerns (which are monopolies to one degree or another) and the profits of the smaller concerns shows the results of the process.

An illustration of this can be given from an article by S. J. Prais, in the *Economic Journal*, June 1957. He shows that in Britain during the five years 1949 to 1953, when all profits were rising, the average annual rise in profits of the 100 largest concerns was 12.1 per cent, while for all industrial companies it was only 6.8 per cent.

With regard to the United States, W. Lumer, in *Small Business at the Crossroads*, shows that the rate of profit of smaller manufacturing firms between 1952 and 1955 fell by 41 per cent, while that of the largest firms rose by 25 per cent. The *New York Herald Tribune* of November 4, 1956, commented on what was happening: "Small business is being impeded in its expansion plans while in the normal course of business it's business as usual for big business."

Far from changing the nature of capitalism, therefore, monopoly quickens the accumulation of profits in the hands of

the monopolies at the expense of the smaller capitalists as well as of the working people.

But on what grounds does Strachey say that the basic feature of competition is competitive *pricing*—that is, apparently, price-cutting? In the history of capitalism the competition between rival capitals has had many forms, of which the most important is not price-cutting, but competition to produce more cheaply and make more profit by selling *at the competitor's price*, thus making an extra profit. So long as the going is good there is no question of *underselling* competitors. The lure of this extra profit by producing more cheaply is the constant driving force for technical improvements. The question of *underselling* competitors, competitive pricing, only arises at a certain state of the trade cycle, when supply outruns demand and the need is felt to win a larger share of a limited market. At that stage, too, the competitors of the technically more advanced company strive to follow suit—to introduce the new technique, or an even better technique, in order to reduce their costs and increase *their* share of the market. Then once again a certain level of price becomes general, either by agreement between the producers or because the market begins to expand and competitive pricing serves no purpose.

The constant drive to produce more cheaply and thus to make bigger profits at current prices—which in turn provide new capital for expansion and further technical advance—is accelerated more and more when, to use Strachey's phrase, "large and few units" are the competitors. When a monopoly completely dominates a branch of production in a particular country, it is true that it may *hold back* technical advance by buying up new inventions and sitting on them. But that is a passing phase. For the growth of similar monopolies in other countries, or of monopolies producing alternative, substitute products, again brings up competition on the world market and perhaps even on the home market, and once again the drive for new technique is resumed. Agreements may be made to divide up the markets between monopolies, or to maintain a certain level of prices, but these



agreements too mark only a passing phase. One of the partners to the agreement develops at a faster rate than its rivals, claims a bigger share of the market than was originally agreed, and if its claim is not satisfied it denounces the agreement and reverts to an open competitive struggle. Discussions between the major companies about reducing the agreed air freight rates in 1961 are a case in point.

Competition, in fact, is always present in one form or another, for the simple reason that every block of capital is constantly trying to expand. The bigger the block, the greater the degree of monopoly, the more intense is the drive for expansion. Nothing has changed since the days when Lenin wrote:

“Monopoly, which has grown out of free competition, does not abolish the latter, but exists over it and alongside it, and therefore gives rise to a number of very acute, intense antagonisms, frictions and conflicts” (*Imperialism*, Ch. VII).

Is it even true that competitive *pricing* has disappeared? Even within highly monopolised or cartellised branches of production straight price competition appears in certain circumstances. In the same way as independent capitalists, before the days of monopoly, would not cut prices so long as the going was good, but only if they found that the supply exceeded the demand and it was necessary to fight for a larger share of the market, so also cartel or monopoly prices are firm on a sellers' market but cannot hold for long when supply exceeds demand. With the 1958 depression in some capitalist countries and the consequent fall in the demand for oil, agreements between the oil monopolies began to be bypassed in a number of ways until in the end prices were cut all round. Coal and steel prices are fixed by the European Coal and Steel Community, but when in 1958-9 demand for these products fell, France used a form of devaluation of the franc to lower French prices and hang on to as much of the market as possible.

Even apart from an over-supply in a particular industry or general crisis conditions, competition in prices goes on all the time. For example, in connection with a Monopolies Commission Report in 1960 the chairman of the Fison's fertiliser group—which is said to control half of that section of industry—stated: “We have cut fertiliser prices from an average £26 per ton to £24 per ton. We have done this because of competition, and there may be more cuts” (*Daily Herald*, Feb. 17, 1960). In addition to direct price competition between producers of similar products within a country and in the world market, scientific and technical advances are bringing price competition also between *alternative* products of all kinds. Oil competes with coal, as British miners know; aluminium is increasingly competing with other metals; plastics are competing with all kinds of other materials. And the super-markets are often in price competition with other shops in the sale of consumer goods.

What are tariffs, quotas, licences and all the rest of it but forms of fighting against price competition from abroad? Similarly, subsidies to home agriculture help it against foreign price competition, while export subsidies in one form or another help sections of industry to sell abroad in spite of tariffs and price competition. And in spite of monopoly and price cartel agreements, there is constant undercover price competition by way of marketing new products, gift schemes, coupons entitling to discount, and so on.

All in all, Strachey's assertion that monopoly has done away with price competition is not borne out by the facts: still less is there any ground for thinking that the absence of price competition would have changed the nature of capitalism.

But why does Strachey want to establish that monopoly has done away with price competition? Because the next stage of his argument is that, as there is no longer price competition, capitalism has ceased to be “self-regulating”. What does he mean by self-regulating? That when prices are cut, as a result of competition, it no longer pays to produce the goods in question; therefore production is cut down, over-supply of these goods is gradually absorbed, and all is well again.



It may be noted in passing that this effect—cutting down production when prices fall—is itself due to the more fundamental cause of a surplus having been produced which turns out to be unsaleable. The cut in prices, whether due to price competition or to agreement to cut, reflects the existence of this surplus; and such surpluses occur today just as yesterday. At the turn of 1960–1 there were a million unsold cars in the United States, and considerable surpluses in Britain and other countries; some price reductions took place, but generally speaking production of cars was cut because of the surplus, not because there was a fall in price; and as a result production of steel was cut, without any fall in the standard price. So if cutting down production when there is an unsaleable surplus is a sign of “self-regulating” capitalism, it is as self-regulating as ever.

But to return to Strachey’s argument.

Having established to his own satisfaction that the economy used to be self-regulating, but no longer is, he argues that there would be the devil to pay if something didn’t regulate it; so the State stepped in.

“One of the reasons<sup>1</sup> why the State has been forced into participation in the process of production has been because it was discovered by painful experience that if things were left to themselves the economy showed an increasingly disastrous tendency to instability. It gradually became clear that an economy of large and few units tends to lose the rough-and-ready, painful but in the end effective, self-regulating mechanism of the truly competitive stage of capitalism” (*Contemporary Capitalism*, p. 33).

The increased intervention in the economy by the State is perhaps the most common reason advanced by the protagonists of a changed or defunct capitalism for their belief.

Crosland, for example, in *New Fabian Essays*, wrote (p. 39) that:

<sup>1</sup> In a footnote Strachey explains that this was the economic reason; that there was also a political reason, “namely democratic pressure, itself generated by the social agonies of instability”.

“The power of the State has enormously increased, and it is now an independent intermediate power, dominating the economic life of the country . . . This one change alone would justify the statement that the capitalist era had now passed into history.”

In *The Future of Socialism* he develops this thesis in a section “The Loss of Power by the Business Class to the State”; but in so far as he explains why this happened, it “is largely a consequence of the explicit acceptance by governments of responsibility for full employment, the rate of growth, the balance of payments, and the distribution of incomes” (p. 27). In a way this is the same explanation as Strachey’s “disastrous tendency to instability”; but Strachey links it more closely with the growth of monopoly:

“Whenever and wherever the process of concentration into large and few units reaches a certain point, the State itself becomes closely associated with the productive process” (*Contemporary Capitalism*, pp. 32–3).

In both this and the previously quoted passage, it is said that the State becomes associated with the process of production. In fact this misses the essence of what has really taken place. The State becomes closely associated with the productive process *because it becomes closely associated with the monopolies*. They need the State as an instrument to further their interest in the productive, distributive and financial processes at home and abroad. This is the first and fundamental fact, brought out in relation to Britain by John Gollan in *Britain’s Political System* and by James Harvey and Katherine Hood in *The British State*.

But for Strachey the “association with the State” is a purely technical matter. “One of the essential features of the previous stage of capitalism was that the State should scrupulously avoid such association,” he says. “The State’s function was that of umpire, or arbitrator, of the competitive process. . . . If, therefore, the State was to step down from



the umpire's stand and itself take a hand in the game of production, the very nature of the economy would be transformed. Yet, as and when the competitors have become few and large, this is just what the State has been forced to do" (p. 33).

But the State was never on the umpire's stand—or if it took that stand, it was always a heavily "committed" umpire. At every stage it has intervened in the productive process—in the interests of the feudal lords or the absolute monarchy against the capitalists; in the interests of the capitalists against the feudal lords and the peasantry; and later in the interests of the capitalists and landlords against the workers, the colonial peoples, and foreign competitors. The Board of Trade, established in the seventeenth century, to say nothing of the Treasury, has continuously and increasingly intervened in the economy. And if the civil departments "became associated with the productive process" at a very early stage, this was equally true of the war departments. The armed forces have been in continuous use to open up channels of trade and conquer territories for exploitation by British capital. The notion of an "umpire" State bears no relation to the facts, unless what Strachey calls the "game of production" takes place only between capitalists in equally good standing with the State machine, who are equally concerned to use the State against workers, colonial peoples or rival capitalists.

What is true, however, is that "when the competitors have become few and large"—that is, with the rise of monopolies—the State changes from being the instrument of the capitalist class as a whole to being the instrument of a section of that class: the monopoly capitalists. The capitalist State becomes the monopoly capitalist State. And when this stage is reached, it serves the interests of the monopoly capitalists not only against the workers, the colonial peoples and foreign rivals, but also against the smaller capitalists.

But this in no way transforms "the very nature of the economy". Production—even production by the State, in nationalised industries—is still on a capitalist basis, providing

surplus value to a small class of big property owners; the function of the State is to channel more and more of that surplus value into the pockets of this small class.

In developing his theory that the State "has been forced" to intervene in the monopoly stage because "the economy showed an increasingly disastrous tendency to instability", Strachey paints a picture which has no correspondence with the facts. The real growth of State intervention in the economy has had nothing to do with any failure of an alleged "self-regulating" machinery in capitalism.

The real leap forward in State intervention in the economy has taken place—not only in this country—during the two world wars. And in what form? The "neutral" State sending controllers to run the monopolies? No, the very opposite—the monopolies sending controllers to run the State. In proportion as the State has more and more intervened in industry, trade and finance, so the economic control positions and the various committees set up for the specific purpose of controlling different sections of the economy have been manned by representatives of monopoly.

Thus Sir Richard Vassar-Smith, chairman of Lloyds Bank and director of Baldwins Ltd. and a number of other financial and industrial concerns, was a member of "nearly every committee of importance set up during the" first world "war to advise the Government on the vital financial and trading problems of the day" (F.B.I. *Bulletin*, quoted in *The Federation of British Industries*, Labour Research Department, 1923). Sir Eric Geddes, who was concerned at various times with the Dunlop Rubber Company and the North-Eastern Railway, was Deputy Director-General of Munitions Supply 1915–16; Director-General of Military Railways 1916–17; at the Admiralty 1917–18; Minister of Transport 1919–21. After giving other examples, the Labour Research Department's book says:

"In addition to those who have held Government posts, a very large number of representatives of the F.B.I. have been members of advisory committees and special boards



set up by the Government, and have thus been able to keep in close touch with the administrative work of Government departments."

Although in the years following the first world war many of these "advisory committees and special boards" were wound up, the Federation of British Industries itself undertook the major responsibility of conveying the wishes of industry to the Government departments, while associations of particular industries developed and functioned in the same way.

In *Crisis in Britain* (1950) Robert A. Brady describes the growth between the two wars of "a vast and complex trade association network" and "peak associations which possess considerable capacity to influence business policies throughout British economy", and adds:

"During the" (second world) "war this web of private-business organisation continued to spread under direct encouragement of the Coalition Government, and the interlacing of its numerous strands and those of the government offices dealing with industry became so close and intimate that it seemed impossible to tell where one began and the other left off."

The merging of the monopolies with the State, referred to by Lenin in 1916, could hardly be better described.

When therefore Strachey speaks of the State having been compelled to intervene in the economy because of its "instability", its inability to regulate itself, he is presenting a purely fictitious account of what actually happened. The fact that State intervention in the economy has expanded (in all capitalist countries) is not due to economic causes alone or even mainly. Nor is the explanation to be found in the State itself, still less in the kind of psychology of the State that Strachey advances in his statement that "the State has come, in the advanced industrial nations, to feel that it must, and can control . . ." all sorts of things. But what is this State that

feels? In so far as there is any "feeling" about it, it is the feeling of a State machine that is closely linked with the most powerful industrial, trading and financial concerns—so closely that it is difficult to tell "where one began and the other left off". The feeling is not that the State must control these concerns, but that the concerns must control the economy through the State.

Why has this feeling developed? Because on the one hand the general crisis of capitalism—political as well as economic—faces each national monopoly capitalist grouping with growing difficulties, and each strives to mobilise the whole of the national resources in order to fight for existence and expansion. That is why the chief expansion of State intervention takes place in each war period. On the other hand, the expansion of each monopoly grouping depends on increasing the exploitation of the workers and colonial peoples and squeezing the small capitalists. And for all the monopoly groupings, there is the general crisis which arose with the Soviet Revolution of 1917 and developed further with the expansion of the socialist world after the second world war: the falling away of vast areas from the exploitation of monopoly capital, and the economic, social and political consequences of this new situation.

Right-wing Labour "theoreticians" are quite unaware of all this: perhaps because, to adapt a famous saying, they feel that what is good for monopoly capital is good for Britain. So the picture they present is of a State monopoly capitalism whose intentions and actions are on the highest plane, representing a great victory of progress over reaction, of order over chaos—indeed a new stage, a change in the very nature of capitalism. And they assert that it is the "democratic forces", or the Labour Governments after the war, that wrought this miracle.

Strachey's list of all the things the State now does by way of replacing "competitive pricing" as the regulator is imposing. It now, he says, controls "such basic things as the pattern of the distribution of income between social classes". It certainly does: but on whose behalf? In spite of the death



duties which are supposed to prevent the hereditary accumulation of wealth and break up large fortunes, the rich are steadily growing richer; for in practice death duties take each year only a fraction of the current increase in accumulation by the capitalists. This is only too clearly confirmed by the official statistics of National Income and Expenditure. The issue for 1960 shows that in the five years 1955-9 total new investment was £18,533 million. This, however, is a gross figure, before providing for depreciation on fixed capital—an item which is shown for the five years as totalling £8,756 million. This makes the net new investment in the five years £9,777 million. And the amount taken in death duties in the five years was a mere £920 million; less than 10 per cent of the new accumulation. Moreover, these figures do not include accumulations of the subsidiaries of the companies operating abroad; although no figures of these are available, it is known that they are very considerable.

In capitalist society, the greater the accumulation, the greater the profits of the capitalists. So when Strachey says that the State controls the distribution of income, it can only be supposed that it controls it in favour of the rich.

And this is confirmed by the attitude of the State to wages—the income of the workers. All through the post-war years of rising prices and productivity under the Labour Government the machinery of the State was working all out to urge a wage freeze (or wage restraint if this is the politer term); had it been successful, even greater profits would have been roped in by the big monopolies. That the “distribution of income” during those years was not as unfavourable to the workers as the State tried to make it was not due to State defence of wages, but to the organised resistance of the workers.

Strachey also says: “the contemporary State attempts to pull or push resources from one sphere of production to another: from the internal market to exports: from peace production to rearmaments” (p. 33). If the actual content of State intervention in these spheres is examined, the *purpose* of this intervention, whose interests it serves, becomes pretty

clear. The pushing of resources to exports, for example, is a cover for the military costs of holding down the colonial liberation movement, and for the *export of capital* by the monopolies, amounting to £200 million or more each year since the war. And what is the way in which this “pushing” is applied? Always by measures to keep down consumption at home: directly by pressure for “wage restraint”; indirectly by high interest rates, and restrictions on hire purchase, along with purchase tax. Always at the expense of working people for the benefit of the monopolists.

Other State interventions mentioned by Strachey relate to “maintaining the total demand for the whole national product”—this is dealt with in the next chapter—and nationalisation.

As for pushing resources from peace production to rearmament, which was in fact the biggest intervention in the economy undertaken by the Labour Government, it is mere fantasy to imagine that this, in the Cold War period, had any purpose but the furtherance of the aims of monopoly capitalism, both for the immediate gains from armaments contracts and for the holding back of the advance of colonial liberation and of socialism. In any case, *this* State intervention is no new thing; apart from earlier military operations, it reached a high stage of development already in the first world war.

For a detailed study of the aims and content of nationalisation carried out by the State under the Labour Government, the reader must be referred to H. Fagan's *Nationalisation* (Lawrence and Wishart, “Socialism Today” series, 1960). Here it is only necessary to say that, although nationalisation of certain British industries was in part the outcome of long-sustained working-class pressure—and in that sense the State acted as a result of Strachey's “democratic pressure”—the actual nationalisation measures directly served capitalist interests, in the amount of compensation given, the release of capital from low-return industries so that it could be invested in the most modern up-and-coming sections of industry, the raising of loans at high rates of interest for



reconstruction, the control by supporters of capitalism, the low prices charged to the private monopolies giving them extra profits and making it easier for them to compete in world markets, and the hiving off of profitable sections of the nationalised industries to private capital (see Clive Jenkins, *Power at the Top*).

Not one of the measures mentioned by Strachey as undertaken by the State because the economy was no longer self-regulating provides evidence for anything other than that the State's intervention has served the interests of the monopolists; still less for the assertion that any or all of the measures taken have changed the very nature of capitalism.

Crosland too, as already noted, thinks of the State intervening in the economy to order the capitalists about. But his arguments are not so developed as Strachey's; and he has an unfortunate tendency to found them on shifting sands—on a particular economic tide that ebbs away and leaves his conclusions high and dry.

His treatment of the story of Jarrow in the 1930s—Ellen Wilkinson's *The Town that was Murdered*—is a case in point. Decisions which condemned Jarrow to a decade without jobs were, he says, taken by private monopoly bodies (National Shipbuilding Security Ltd. and the Iron and Steel Federation); and the decisions "were taken with the sanction of the Government". And this, Crosland argues, shows the "subservience of the political authority . . . to the interests of business" which characterised old-time capitalism (p. 26). Ten pages later, arguing that "the traditional capitalist ruthlessness has largely disappeared", he says: "few firms today, quite apart from the certainty of Government intervention, would even try to repeat the Jarrow story".

But the Jarrow story, though it had its special features, was not the only story of ruin for the workers in those days: besides the closing of shipyards, there was also the large-scale destruction of cotton spindles and looms and the abandonment of pits. All this was the result, not of State or Government action or inaction, but of the great economic crisis. And although in 1956, when Crosland wrote *The Future of Socialism*,

it may have seemed to him impossible to imagine a new economic crisis, the situation was different in 1959 and 1960. And if Government approval of the closing down of plants in the 1930s meant the subservience of the political authority to the interests of business, what does Government approval, indeed initiation, of the closing down of pits and wiping out of cotton spindles and looms mean today? Are they not all measures taken in the interests of the monopolists, whether with the sanction of the Government, or by the Government itself?

Does the fact of the merging of the monopolies with the State, that the State today is the monopoly capitalist State, make any social advance impossible? Is it an illusion to think that the working class can influence the State?

No, it is not an illusion. It is possible for the working class, especially when it can rally round it other sections of the population, to fight against the policies of the monopoly capitalists even when these policies are put through by the State. The Tory Rent Act, which transferred tens of millions of pounds from working people to the landlords, could have been resisted and prevented from coming into operation by a united and determined movement. It may even be possible to secure positive demands from the State, as in the case of the 1915 Rent Act protecting tenants, which was forced on the ruling class by joint industrial and tenants' action.

But such results can only be got by mass struggle, by struggle which compels the monopolists and their State to take notice of the will of the people. And that is not possible under a right-wing leadership which thinks the State is neutral in the class struggle, which even deplores class struggle and thinks that nothing can be democratic except speeches in Parliament and appeals to the electorate at five-year intervals.



## Chapter Five

### HOW THEY MANAGED CAPITALISM

In the building up of the "no longer capitalism" legend the absence of any severe economic crisis in the years after the war played an important part. Labour's 1945 election programme *Let Us Face The Future*, in a section headed "Jobs for All", set out the aim of full employment through raising production, good wages, control of rents and prices, planned investment, and banking operations "harmonised with industrial needs" (whatever that means), and declared that "By these and other means full employment can be achieved". In addition to public ownership of fuel and power, transport and iron and steel, there was to be "Public supervision of monopolies and cartels with the aim of advancing industrial efficiency in the service of the nation". There were to be "suitable economic and price controls".

The theoretical background to this programme, and to the attempts made by the Labour Government to control and plan the economy, was provided by Keynes, whose theories profoundly influenced the outlook of the Labour Government, and were spread by Labour spokesmen throughout the movement. As Labour M.P. John Parker put it in *Labour Marches On* (1947): "The effect of Lord Keynes' teaching and of wartime experience has been the creation of a very widespread belief in Britain that unemployment can be practically prevented by the full development of a planned economy."

Crosland wrote in *New Fabian Essays*: "The Keynesian techniques are now well understood, and there is no reason to fear a repetition of the New Deal experiment with the will to

spend its way out of depression, but frustrated in so doing by faulty knowledge" (pp. 39-40).

What are these "Keynesian techniques", now known to Crosland but evidently not to Roosevelt in the time of the New Deal of the 1930s, which are alleged to have such a powerful curative effect when symptoms of capitalist crisis appear?

First, the Keynesian proposals have nothing to do with "the full development of a planned economy". Strachey explains (*Contemporary Capitalism*, p. 226) that "They required neither extensive public ownership, nor the expropriation of the capitalists, nor a detailed, centralised plan for the economy". So the linking of Keynesian teaching with a fully planned economy is quite unjustified.

What then were the Keynesian proposals? They were that in order to avert economic crises the State should intervene in the economy in four ways:

(1) By lowering the rate of interest. This method is as old as capitalism, and has been repeatedly proved to have only a marginal effect if any at all, since capitalists will not invest in new plant when they already have over-capacity.

(2) "Pump-priming" by the State—spending more on anything, even if that involved a budget deficit; which was linked with

(3) Public works on a large scale. In fact—on a small scale it is true—this was applied in the crisis of the 1930s and even before; in practice, it provided jobs for a tiny fraction of the unemployed, with no effect on the general crisis situation. The only large-scale spending of this kind has been on armaments; it was done firstly for political reasons, secondly to give big profits to the monopolies, not to provide employment. The subsequent raising of the arms expenditure by both Eisenhower and Kennedy when unemployment was rising no doubt had some temporary effect, but could not stop the advance in the number of unemployed.

(4) A redistribution of income from the smaller to the bigger incomes, so that the purchasing power of the people would increase, the market would expand, and therefore the



capitalists would be more ready to invest in new factories and plant.

It is sometimes said that the post-war social services, the "Welfare State", mean a redistribution of incomes between rich and poor, so that this part at least of the "Keynesian techniques" was carried out by the Labour Government. In fact, the social services have had no redistributive effect, because they are paid for by contributions and increased income tax and indirect taxes falling on the "lower incomes". Crosland admits that "in fact the social services are now scarcely redistributive as between rich and poor" (*The Future of Socialism*, p. 146).

It is clear, therefore, that the application of "Keynesian techniques" by the Labour Government had precious little to do with the absence of any serious economic crisis in the post-war years. But the *claim* that it applied Keynesian techniques openly designed to prop up capitalism is an indication of the Labour Government's approach.

In the period of the post-war Labour Governments there was in fact virtually "full employment", with total production rising year by year. Labour spokesmen then and later claimed that this was the result of the "full employment policy" operated by the Labour Government and based on Keynesian theory. Strachey, for example, in his contribution to *New Fabian Essays*, says that the Labour Government "did in fact appreciably modify the nature of British capitalism", and that the best test of this is to observe "whether or not British capitalism is still producing those intractable problems with which we were so painfully familiar before the war". He lists four such problems: (1) mass unemployment—his comment is "As we all know, it has disappeared from the social scene"; (2) the chronic tendency of savings to exceed investment: "we are now faced with the opposite problem"; (3) inability to find adequate overseas markets: "today there is no difficulty"; (4) the tendency of British agriculture to stagnate: "there is not the slightest sign of this symptom today".

As for agriculture, the fact that annual subsidies ranging from £200 million to £300 million have been needed to

keep it going is hardly evidence that its tendency to stagnate has disappeared.

But in general, how far was the rising production and full employment due to the Labour Government's policies or to any "modification" in the nature of capitalism, and how far was it due to *the normal workings* of capitalism in the situation that existed in the post-war years?

The fact that rising production and relatively full employment were features present in that period in all capitalist countries that had not been seriously affected by the war is by itself enough to cast doubt on Strachey's argument.

But what was the situation particularly in Britain?

The greater part of British industry, after the long pre-war stagnation and the war period when renewals and extension were impossible, was very much in need of new equipment. The people were very much in need of consumer goods of all kinds which they had been unable to get during the war. It is true that mere need, without purchasing power, has no economic effect in capitalist society. But purchasing power was available: on the part of the capitalists, through the high profits of the war period; on the part of the people generally, through savings which they had been unable to spend, and demobilisation and other grants from the State.

Although therefore the armaments industry was sharply contracted, the full use of existing plant and the pressure to expand productive capacity, with the absorption of all available labour (including the drawing into industry of large numbers of women), were the inevitable consequence of the normal working of capitalism. This situation was maintained and further developed by a number of other factors.

Strachey says there was no difficulty in finding overseas markets: this was undoubtedly true for a certain period, in regard to both capital and consumer goods exports. But it had nothing whatever to do with any policy of the Labour Government, except that the policy of giving priority of raw materials to exporters may have prevented a check to exports in certain cases. The main thing, however, was that the post-war shortages which existed in Britain also existed in many



other parts of the world, while the sterling balances (debts contracted by Britain during the war) and the rising prices of raw materials due to war and post-war demand provided those countries with purchasing power. It is true that the United States was a vigorous new competitor in export markets; but the competition from Germany and Japan was practically non-existent in the early post-war years. Thus the doubling of the volume of British exports in that period requires no modification of capitalism or Keynesian theories to explain it; and this had an important effect both on the maintenance of full employment and on the demand for machinery and other capital equipment.

The revival of industry in West Germany and Japan began to change the favourable export position, and as is well known the period of "no difficulty" in finding overseas markets disappeared in the course of the 'fifties.

Another important factor in the maintenance of full employment was the nationalisation of the fuel and power industries and the railways. On the one hand, the State provided or ensured the provision of funds for large-scale modernisation and (in the case of electricity) expansion; on the other, the compensation paid to former owners released their capital from these industries and enabled them to employ it in the newer and more profitable sections of industry. In a sense the measures of nationalisation were due specifically to the policy of the Labour Government, but this policy was only indirectly connected with "full employment"—its main purpose was to meet the needs of capitalist industry in the private sector.<sup>1</sup>

On the background of this generally favourable situation for British capitalism came the so-called inflation: the steady rise in prices which is inseparable from boom conditions in capitalism. According to the *London and Cambridge Bulletin*, from 1946 on the rise in the prices of manufactured products was constantly greater than the rise in wage rates: basing both on 1938 as 100, prices were 173 in 1946, wages 163; by 1948 prices were 216, wages 178; by 1950 prices were 259, wages

<sup>1</sup> For a full discussion of this point, see *Nationalisation*, by H. Fagan.

186. Even if wage rates had kept pace with the rise in *retail prices* (in fact they lagged behind), these figures make it perfectly clear that the "inflation" originated in raw materials and manufactured products, especially capital goods—in other words, the "too much money" that was chasing "too few goods" was not wages but accumulated profits, capital, chasing raw materials and capital equipment in the frenzied drive for increased profits. The Labour Government's contribution to this position was its appeal to workers to restrain wages—which was responded to for a time through the influence of right-wing trade union leaders—and to capitalists to restrain prices and profits—which met with no obvious response. Its further contribution was the devaluation of the pound in 1949, which led to further increases in prices and profits, and a further temporary setback to wages.

These were some of the factors which determined the special position of British industry during the post-war years, maintaining a high level of production and employment. It is obvious that they had nothing to do with the Keynesian theory or any "full employment policy". This is not to say that none of the measures of the Labour Government—for example in relation to the location of industry—had any effect at all. Certainly they had, just as the Tory Government's manipulations of the rate of interest and of conditions for credit sales have had some influence on the economy. But the point is that the effect of such measures is rather to ripple the surface than to affect the main movement of the economy, which is entirely governed by the conditions for the making of profit and the investment of capital.

Some of these conditions were not specific to Britain, or to the period of the Labour Government. The crises of over-production in the United States, for example in 1948, 1953 and 1957, were neither very deep nor very prolonged, and their effects on Britain were not marked. In the main this was due to the fact that in West Germany, Japan, Italy and to some extent in France, industry was being rebuilt and expanding; total demand in the capitalist world did not fall simultaneously with the decline in the United States, and



therefore Britain was able to avoid a serious setback and the United States to make an early recovery.

Secondly, the United States, through the NATO alliance, brought about an immense expansion of armaments in the capitalist world, and this certainly had a temporary effect on the maintenance of employment, in spite of the later consequences of inflation and increased taxation, and therefore restriction of the purchasing power of the people generally.

But perhaps the most important factor affecting the whole of the capitalist world has been the tremendous growth of monopoly and the far-reaching technical advances developed by the monopolies in their drive for markets in competition with each other. The application of the new scientific discoveries means intensive new capital expenditure; the rate at which these technical advances are now being made means that plant is outmoded and "morally" worn out long before it is physically necessary to replace it, so that the turnover of capital equipment is increasingly rapid.<sup>1</sup> For a certain period this increases demand for capital goods, and allied with this, demand for new types of raw material, which have a temporary positive effect on employment and on the economy generally, followed by "technological unemployment" on a growing scale.

Another factor which has had a similar positive effect—though up to now on a very limited scale—arises from the victories of the national liberation movements and the setting up of new independent States which for the first time are in a position to develop their own industries for their own use. This has led to a certain expansion in the demand for new means of production.

Similarly, the expanding economies of the socialist countries require imports of both capital and consumer goods, though this market too has been restricted by United States policy accepted by both Labour and Tory Governments.

<sup>1</sup> The shortening of the cycle of boom and slump in the United States from the pre-war seven to ten years, to the post-war three or four years may be partly due to this.

When therefore the economic conditions of the post-war years are examined, the factors which led to the rise and maintenance of a high level of production and employment in general, apart from checks and temporary setbacks in particular countries, can be found, and it is not necessary to look for some "full employment policies" or other Government interventions on Keynesian or other lines.

And it becomes more and more obvious with the passage of time that, so far at least as the economic facts go, capitalism has not solved the problem of full employment but, just because it is still capitalism, is still subject to the cycle of boom and slump. Moreover, the continued growth of monopoly coupled with technological progress in all capitalist countries is inevitably producing a new situation. Automation, the development of plastics and other advances may give additional employment while the new plant and equipment is being made and installed: but the long-run effect is to make redundant large numbers of workers. Nowhere as yet is this so obvious as in the United States, with the number of unemployed rising in each successive "depression" and rising also even at each successive "boom" period of the cycle. This trend is not due to any particular bad policy of the United States Government: on the contrary, that Government has done more than any other to ward off slump—the vast State purchases of surplus agricultural products and attempts to cut down further surpluses in return for subsidies to farmers; the stockpiling of raw materials; the immense arms programmes; the various forms of "aid" to other countries, which provide markets for United States industry; increased unemployment benefits; besides the "traditional" manipulations of the rate of interest and credit facilities. All of these measures naturally have a certain immediate effect on production and employment: but they have proved unable to control the elemental movement of capitalism from boom to slump, while the transformation of workers into what Ramsay MacDonald, in a moment of truth, called "superfluous scrap", goes relentlessly forward, come boom come slump.

It is in such circumstances that what Strachey refers to as



the pre-war chronic tendency of savings to exceed investment—in other words the reluctance of capitalists to use their accumulated profits for new investment in means of production—reasserts itself, as it has always done when existing productive capacity cannot be profitably used.

Is it untrue that “unemployment can be practically prevented by the full development of a planned economy”? Far from it. One of the essentials of a socialist society is a fully planned economy, which when fully operating completely eliminates unemployment for all time. But a fully planned economy is only possible in a socialist society.

In *Recent Developments in British Socialist Thinking* (1956) Gaitskell says that in the period of the second world war “For the first time Britain had a fully planned economy” (p. 31). There was not only, he explains, “an immense array of ‘direct’ controls over economic activities”, but the Government bought a high proportion of imports, placed orders for a large part of Britain’s output, and “through the allocation of raw materials and other controls it was able not merely to determine the general pattern of the economy but the details of what was to be imported and produced, and how it was to be consumed”.

But the purpose of this allegedly “fully planned” economy was to mobilise all Britain’s resources for the war: to provide for direct military needs, and on the other hand to cut down consumption while preventing discontent by a more or less equal distribution of essential foods to the people. As already pointed out, the controls were administered by leading industrialists and traders transferred mainly from the biggest firms, who combined the national purpose of the controls with the private purposes of the interests they represented. Nor could it be otherwise in a society built up of conflicting interests, even though all were agreed on the need to mobilise all resources for the war. The “plan” therefore contained within it, among other conflicting purposes, the class struggle, however muted because of the common purpose. The steady rise in prices and holding back of wages followed the policy recommended by Keynes in *How To Pay For The War*; trade

union “restrictive” (really defensive) practices were broken through; along with subsidies to keep down the cost of living index (and therefore wage claims) more workers were brought into the income tax paying class, and in addition indirect taxation was increased and the purchase tax introduced—items which have remained in the tax policy of both Labour and Tory Governments ever since.

All this belonged to the Gaitskell “fully planned economy” of the war period, as well as the controls more directly connected with the prosecution of the war. And it is the fact that the class struggle is inevitable in a class-divided society that makes the very concept of a fully planned *capitalist* economy so unreal, quite apart from the difficulties usually advanced—those connected, for example, with the administration of controls over some 300,000 joint-stock companies apart from individually owned enterprises of all kinds.

The Labour Government’s attempts at “planning” have been described in Rogow’s *The Labour Government and British Industry 1945-51* and in Brady’s *Crisis in Britain*. Rogow notes that “The Coalition Government’s *Employment Policy White Paper* of 1944 had accepted responsibility for the provision of employment, planned investment, and the establishment of a planning staff to report on economic trends and developments”. In other words, it was clear also to the Tories (in spite of Churchill’s later slogan: Set The People Free!) that, in order to maintain production and profit, some controls would have to be carried on after the war. But in fact the “planning” never got beyond a number of controls of raw materials, etc.

The annual *Economic Survey* “fixed targets and objectives” for the coming year: comparison of the targets with the actual results showed that the former were just guesses or wishful thinking.

And it could not be otherwise, not only because the controls were administered by representatives of the monopolies, but because the Government, having announced its “targets and objectives”, in global figures, stood aside. This was justified in lofty democratic terms in the *Economic Survey* of 1947:



"There is an essential difference between totalitarian and democratic planning. The former subordinates all individual desires and preferences to the demands of the State. . . . Such methods may be necessary even in a democratic country during the extreme emergency of a great war. . . . But in normal times, the people of a democratic country will not give up their freedom of choice to their Government. A democratic Government must therefore conduct its economic planning in a manner which preserves the maximum possible freedom of choice to the individual citizen."

Under cover of freedom of choice to the individual citizen, what was actually given was freedom of action to the monopolies and capitalist enterprise in general. The so-called "democratic planning" turned out to be quite incompatible with any plan at all, and as the years passed the *Economic Surveys* dropped even their "targets and objectives", and the whole conception of a national plan faded out.

Inasmuch as planned investment was an essential part of the Labour Government's professed policy, and the Capital Issues Committee the chief instrument for operating it, its composition and limitations are worth mentioning. As Rogow notes, the Committee consisted of seven bankers, stockbrokers and industrialists; it dealt only with capital issues of over £50,000; and in practice all that companies which wanted to issue more than that had to do was to set up subsidiaries each of which issued something less than £50,000. In any case, whether or not the seven bankers, etc., gave permission for a much larger issue of capital to particular firms, they had no control of any kind over far the largest section of capital investment—that is, the use of accumulated profits by the monopolies to expand or renew their plant and equipment. "Planned investment" was a complete myth, except in so far as the Capital Issues Committee "planned" its approval of capital issues in the interests of particular companies.

Among the reasons given by Strachey for thinking that the nature of capitalism has changed is the fact that a large proportion of new investment is financed from the profits of the

monopolies which are not distributed to shareholders but kept as reserves. The motives which have brought this about have been suggested in Chapter Two—the avoidance of surtax by the big shareholders, coupled with the drive for expansion. But Strachey's approach is different.

The fact of self-expansion out of accumulated profits is described as "a new form of accumulation", which is said to depend on "different methods, and different motives, from that of the individual saver" (*Contemporary Capitalism*, p. 34). Warming to his theme, Strachey tells us that "the giant firms have become real persons on their own account and as distinct from their shareholding owners"; that they can accumulate "without the new capital ever becoming the individual property of any particular capitalist". Hence, he alleges, "accumulation is taking on a new and semi-collective character" (p. 40).

In what sense is this self-expansion by the monopolies ("giant firms") out of their own reserved profits a new form of accumulation?

Ever since the beginnings of capitalism a part of the profits of any enterprise, whether owned by an individual or by a group or company, has been "kept in the business" to provide the funds for expansion. There is therefore nothing whatever new in "form" or "character" in this method of accumulation: it is of the very essence of capitalism, which as Marx says is the production and expansion of capital.

It is true that in the earlier stages the profits made by enterprises were not on a very large scale, and, as the technically necessary size of enterprises grew, any big expansion had to be financed by an issue of shares to the public. But no one pretended that this altered the nature of capitalism, or of accumulation. And it takes a "New Thinker" to pretend that when the enterprises themselves become "giant", make giant profits and put them into the business so that they don't have to issue new shares to the public in order to finance expansion, this alters the nature of capitalism and accumulation.

The only thing that is new in this is the enormous size of the monopoly concerns and of the profits they make each



year. In many cases only a third or even a quarter of these profits is paid out as dividends to shareholders; the balance is "retained in the business" for expansion. This, as already pointed out, helps the concentration of capital in the monopolies and thus speeds the spread of monopoly; but even this is only the continuation of a process of one capitalist "killing many" which dates from the earliest period of capitalism.

And it is quite untrue that this accumulation takes place "without the new capital ever effectively becoming the individual property of any particular capitalist". If Strachey means that a new machine added to a company's capital never belongs to any particular capitalist, this is of course true; even in the old days when a group of shipowners owned so many sixty-fourths of a ship, no particular capitalist had the right to remove the keel. From the days when joint-stock companies became the usual form, no material part of their property has ever belonged to a particular shareholder.

But if Strachey is talking of capital *as capital*, as stored-up surplus value used for the production of more surplus value, again he is at sea. The accumulation financed from a company's profits increases the company's assets, adds to the previous capital, and like the previous capital the additional capital becomes the effective property of the particular shareholders in proportion to the shares which they hold. They can sell the shares at an enhanced price ("capital gains"); or bonus shares may be issued; or they may hold on to their shares and get bigger dividends in future years. In any case the wealth of the individual capitalists is increased: the accumulation by the company *has* effectively become their individual property. There is no trace whatever of the alleged accumulation "taking on a new and semi-collective character".

Are there "different methods, and different motives, from that of the individual saver" in the case of this accumulation by the "giant firms"? Of course in a sense the method of accumulating by putting profits to reserves is different from the method of distributing the profits to shareholders and getting them back again by an issue of shares. But it certainly

does not alter anything in the nature of capitalism or of accumulation by the capitalist class. As to the suggestion that there are "different motives" in this form of accumulation, what are the new motives? The Labour Party document *Industry and Society* says that there is a conflict of interests between directors and shareholders over the allocation of disposable profits, and adds: "It may be said, of course, that this conflict is unreal because, in the long run, ploughed back profits will benefit shareholders just as much as if they were distributed. True—but only in the long run and shareholders, being ageing mortals, are not always disposed to wait."

True, all shareholders are ageing mortals: but those who are not disposed to wait are the small shareholders, who need their dividends to pay their current bills. The larger shareholders, on the contrary, are "disposed to wait", because what they look for is *an increase in their capital*, and if all the profits were paid out in dividends, they would only have to reinvest the amount they received—but in this case the amount reinvested would be smaller, because of surtax. This motive, however, is nothing new, except in the sense that the higher rates of surtax now lead to a more determined effort to avoid surtax. And it is the bigger shareholders—not, as Strachey pretends, faceless managers—who decide how much of the profits is to be kept in the business.

But if we are discussing motives, what is Strachey's motive in this elaborate building up of "different methods, different motives" for accumulation by the monopolies, the myth of the new capital never "effectively becoming the individual property of any particular capitalist", and accumulation "taking on a new and semi-collective character"?

He finds this necessary because he wants to show that "the very nature of capitalism has changed". And *if* the motives for accumulation have become different from the desire of capitalists to increase their capital in order to make more profits; *if* accumulation has taken on "a new and semi-collective character" and never increases the wealth of the capitalists—then indeed the very nature of capitalism would have changed, and now it would be at least "collectivism",



half-way on the road to socialism. His assertions, however, are at complete variance with the facts.

In *The Future of Socialism* Crosland similarly treats the restriction of dividends as something fundamentally changing the nature of capitalism, reflecting a new "consciousness on the part of industry that the balance of power had altered. This consciousness (and also the diminished capitalist influence within industry itself) was most conspicuously demonstrated by the acceptance of voluntary dividend restraint during the Crippsian era" (p. 29). On a later page, discussing the possibility of limiting dividends, he writes: "What management thinks it normal and proper to pay out, and shareholders to receive, depends within very wide limits on the tradition, the social character, the balance of class power, and the general moral climate of the country concerned" (p. 371). The use of these abstractions makes it possible to avoid any question of *whose interests are served* by the restriction of dividends.

All of these ideas of controlled or "managed" capitalism, of changed motives on the part of the capitalists, of the replacement of capitalists by managers who have "different motives" and accumulate semi-collectively, are not only the individual ideas of Strachey and Crosland, but are shared by the entire right-wing Labour leadership and are embodied in the policy documents of the Labour Party.

The ideas relating to "managed capitalism" find their clearest expression in *Plan for Progress: Labour's Policy for Britain's Economic Expansion* (1958). With its stated aims of "sustained expansion", "higher investment" and "full employment", *Plan for Progress* proposes that "the British economy must be so managed that a rapid and continuous increase in the national wealth is achieved".

Produced at a time when, according to Dr. Barna, about 17 per cent of Britain's manufacturing capacity was lying idle, the document puts the blame for this on Tory policy and does not attempt to blame the capitalist system and its inevitable working. It therefore concentrates on such "remedies" as lowering the rate of interest and removal of credit restrictions; on "constant publicity and propaganda" to expand exports;

and investment in the nationalised industries. The latter, it declared, "will send powerful currents of demand through the private sector", ignoring the fact that the demand for the products of the nationalised industries depends on the private sector, as the experience of the coal industry and the railways shows. This is not to say that to increase the investment in the nationalised industries would have no effect; the point is that it would be extremely slow in creating additional jobs at a time of slump, and in the meanwhile the nationalised industries themselves would be drawn into a slump originating in the private sector; whether the new jobs would counter-balance the lost jobs is problematical.<sup>1</sup> Yet this is the only concrete proposal to counter slump, apart from the often tried and equally often discredited idea of lowering the rate of interest. Such a measure is of course desirable for its social effect—for example, to lower the interest charges on new housing—but to imagine that it would raise the level of investment in a period of slump is sheer illusion.

The air of unreality which runs through *Plan for Progress* reaches a climax when it comes to explain what it means by planning, the aim of which is said to be "to raise and then maintain the level of investment in industry". Having learnt nothing from their experience of "planning" in the period of the Labour Government, the right-wing Labour leaders once again talk glibly of planning capitalism, especially investment. But not "totalitarian" planning, of course; it must be "democratic", and "a partnership between the State and both sides of industry is essential to democratic planning".

Evidently it is the sort of "partnership" that existed under the Labour Government. The workers must produce more and show restraint on wages—"the growth of money incomes must broadly keep in step with higher productivity", which is the old, old argument against increased wages. On the other hand, the capitalists are to get "investment allowances", which means tax concessions in one form or another. And will there be *control* of investment? Certainly not, for that

<sup>1</sup> See also J. R. Campbell: *Some Economic Illusions in the Labour Movement*, Ch. V.



would be "totalitarian". But what is proposed is a National Investment Board, to *advise* the 500 to 600 largest concerns on their investment policy. In other words, "experts" such as composed the Capital Issues Committee would "advise" I.C.I. and other "giant firms" what to do with their money in order to get the maximum possible profits. In so far as this had any reality, it would be a further step in merging monopoly capitalism with the State.

But no advice could compel a "giant firm" to invest its money for any purpose other than profit. The "national interest" from the standpoint of the people requires investment in housing, schools and hospitals; from the standpoint of the monopolies it requires investment in labour-saving machinery and capital exports to get higher profits. And so long as capitalism remains, it is the latter standpoint that will prevail, whatever "advice" is given.

The right-wing Labour leaders share this standpoint. Because they share it, they identify progress with capitalist expansion, and protecting the pound ("The strength of the £ will be the first priority of our external policy"—*Plan for Progress*, p. 18). But the "strength of the pound" is being constantly undermined by the policies of the cold war, the arms programme, and the export of capital in search of higher profits than can be made in Britain—all of which are supported by the right-wing Labour leaders.

Can capitalism be "managed"? The answer involves another question: for what purpose? The merging of monopoly capitalism with the State certainly brings about a certain degree of "management" of the economy in the interests of the monopolies, for the purpose of increasing their profits, extending their power, and increasing their exploitation of the British and colonial peoples, as well as protecting their interests against rival monopoly groups in other capitalist countries.

It is with these purposes that capitalism is managed in an organised attempt to keep down wages while prices rise, and when the workers break through the wage-freeze barrier, to reach the same end through different means: such as raising

the rate of interest, resulting not only in higher rents and mortgage interest payments but seeping through the whole economy to raise prices; raising insurance contributions, and making workers pay for social services; and raising indirect taxation and fares.

It is with these purposes that colonial wars are undertaken, trade unions prohibited as long as possible in colonial territories, taxation imposed on colonial peoples in order to force them to leave their homes and work in the mines and on settlers' estates, leaders of the liberation movements imprisoned like Jomo Kenyatta and, in his day and by a Labour Government, Nkrumah.

It is with these purposes too that the cold war against the socialist countries is pursued by Labour and Tory Governments alike; that a great arms programme is maintained; that tariffs and quotas are built up in the fight against the rivals of British monopoly capitalism.

Oh, yes, capitalism can be managed all right, by the monopoly capitalist State in the interests of the monopolies.

But when the right-wing Labour apologists talk of "managed" capitalism as an antidote to economic crisis and unemployment, they are either expressing the belief that what is good for monopoly capitalism is good for Britain, or they are deliberately trying to distort the nature of capitalism. For it is precisely the concentration of capital and the drive for maximum profit that leads inevitably to the expansion of productive capacity beyond the purchasing power of the people, and thus produces crisis and unemployment. The more successfully the British economy is managed so as to achieve "a rapid and continuous increase in the national wealth", when that wealth, so long as capitalism exists, is concentrated in the hands of a narrow class, the sooner will crisis develop.

Is it then quite impossible to manage capitalism for any other purpose than that described?

It certainly is impossible, so long as the managers are a combination of monopoly capitalists with right-wing Labour leaders who do not believe in socialism, and whose "theory"



is that capitalism no longer exists or has changed its nature so much that its purposes coincide with the interests of society as a whole, that owners no longer count, that managers of "giant firms" have other motives than profit, and all the rest of it.

It can only become possible to manage capitalism in the interests of the people when the British Labour movement is led by socialists, who understand that managing capitalism in the interests of the people means not "a partnership between the State and both sides of industry", but struggle against capitalism, measures imposed on capitalism by the strength of the Labour movement and its allies in other sections of the people; measures which, in the words of the *Communist Manifesto*, "in the course of the movement outstrip themselves, necessitate further inroads upon the old social order, and are unavoidable as a means of entirely revolutionising the mode of production".

## Chapter Six

### HOW THEY ENDED IMPERIALISM

The theme of the "white man's burden" dates from the time when the imperialists first began to feel the need to try to justify their exploitation of colonial peoples. But it has become an integral part of the outlook of right-wing Labour, the basis of its colonial policy.

Patrick Gordon Walker, in *Restatement of Liberty*, links it with his philosophical defence of gradualism. He argues that we cannot speak of a socialist society, because all that we can hope for and work for is a "better society" than ours is today. And in a section headed "Subject Societies" he says:

"Rule over a society that is not yet itself a body politic, though it can assume unnatural and oppressive forms, is not necessarily a form of rule that conflicts with the natural purposes of the better society. Democracy and civilisation cannot be sustained, nor can the machine be mastered in societies that do not possess sufficient integration to have evolved a full State. . . . Should the better society find itself in charge of such societies, it would violate its nature if it ceased to rule over them" (p. 409).

That argument, put in more direct terms, amounts to this: imperialism prevents the colonial peoples from having democracy, because it would be dangerous for the imperialists; it prevents them from having civilisation in the form of education and opportunity or a decent standard of living, because this would cut into imperialist profits; it prevents them from "mastering the machine" (developing their own industry in



their own interests) because this would conflict with metropolitan interests; it prevents them from evolving a full State by carving up their territories into meaningless "countries" with an imperialist State to prevent any evolution at all.

So if by the time a right-wing Labour Government brings in its "better society" there are still colonies which have not thrown off British imperialist rule and are still subject, that Labour Government would violate its nature as an instrument of imperialism if it did not continue to rule over them—with the professed *ultimate* aim, of course, of helping them to evolve a full State, democracy and civilisation in the never-never, and meanwhile using the imperialist State to imprison and exile the leaders of the national liberation movement and all others who fail to understand that they are really being ruled for their own good.

The most ambitious attempt to liquidate imperialism in words was made by John Strachey. Having ended capitalism, or at least "changed its very nature", in *Contemporary Capitalism* in 1956, he did the same job for imperialism three years later, in *The End of Empire*.

The major part of this work—after he has unfolded the sturdy Britishness of his ancestral tree—is devoted to an attempted refutation of Lenin's *Imperialism*. Like his "refutation" of Marx in his earlier work, his "refutation" of Lenin is a combination of distortion of texts and misrepresentation of facts.

The distortion of Marx's theory of wages, already dealt with in Chapter Three, turns up again in *The End of Empire* as the basis of the distortion of Lenin's theory of imperialism. Strachey writes: "There is not the slightest doubt that Lenin regarded the inevitability of a falling standard of life for the wage-earners and farmers within the highly developed capitalisms as the thing which made the whole imperialist process inevitable" (p. 110). But Lenin expressly repudiated the view that the export of capital from an imperialist country was due to capitalists being unable to find a market in the imperialist country: he put the motive of capital exports bluntly: "The profits are higher. That is all."

He also distorts Lenin's view that out of the super-profits from imperialist exploitation "it is quite possible to bribe the Labour leaders and the upper stratum of the labour aristocracy. And the capitalists of the 'advanced' countries are bribing them; they bribe them in a thousand different ways, direct and indirect, overt and covert" (*Imperialism*, Preface to French and German editions). In Strachey's "interpretation", this reads: "Lenin undoubtedly thought that imperialism was highly profitable, above all, of course, to the investing classes but also, through them, to the people of the imperialist country as a whole" (p. 120). Which is undoubtedly what Lenin did not think. As the passage just quoted shows, Lenin thought imperialism "highly profitable", to use Strachey's words, for the Labour leaders and the upper stratum of the labour aristocracy, but he did not confuse these, as Strachey tries to do, with "the people as a whole".

What is Strachey's object in thus distorting Lenin? To "prove" that Lenin was wrong, that imperialism did not benefit the British people as a whole, and that on the contrary "the dissolution of the greater part of the British Empire has proved fully compatible with a steady rise in the standard of life of the British wage-earners". We shall see what Strachey means by the dissolution of the greater part of the Empire.

His effort to prove that Lenin was wrong is certainly made easier by his own definition of imperialism: "By imperialism I mean the process by which peoples or nations conquer, subdue and then permanently dominate (either *de jure* or *de facto*) other peoples or nations." By using a definition which, as he himself says, identifies imperialism with "the Assyrian, the Roman, the Spanish, the British or the Japanese empires" (p. 7), Strachey from the outset eliminates the specific character of capitalist imperialism: the rise of monopoly, the merging of the banks with industry, monopoly control of the State, the export of capital and exploitation of colonial peoples, and of course the relation of imperialism to the outlook of the right-wing Labour leaders; and at the same time he opens the way for his Chapter XX, on "A Russian Empire", since if



imperialism is not specific to capitalism it might just as well arise from socialism. And the bogey of an alleged Russian empire (he also speaks of a Chinese empire) is essential to right-wing Labour support of the Cold War, of NATO, CENTO, SEATO. So to start with such a definition is half the battle won.

To prove that British imperialism no longer exists, that the greater part of the British empire has "dissolved", all that is necessary, on the basis of Strachey's definition, is to show that the permanent domination, in the sense of direct imperialist rule, of other peoples has ended. And everyone knows that for the greater part of the former British Empire, direct rule has ended. So the end of imperialism is proved.

What is wrong with this argument? By ignoring the solvent that is dissolving the Empire—the national liberation movement—Strachey completely distorts what is actually taking place: he even speaks of Britain's "unique good sense in making possible the peaceful dissolution of her old empire". That unique good sense, however, has shown itself in each case only when the national liberation movement has been too strong to suppress. As long as there was a hope of maintaining direct British rule by force, it has been maintained, by Labour and Tory Governments alike.

Secondly, by defining imperialism so as to disconnect it from monopoly capitalism, and deducing the end of imperialism from the end of direct British rule in the major part of Britain's former colonial empire, Strachey diverts attention from the fact that monopoly capitalism, the essential basis of imperialism in all its aspects (not only of colonialism in its old form), is still very much in existence. By its very nature it continuously gives rise to the striving for expansion, in both old and new forms, of its power and exploitation of the working people both in Britain and overseas: a striving which brings it into direct conflict with every step forward of the national liberation movement.

Thirdly, by eliminating monopoly capitalism from imperialism, Strachey is able to hide the fact that British imperialist exploitation of the peoples of ex-colonies continues

after direct British rule has ended. R. Palme Dutt has pointed out, for example, that a large proportion of foreign-held Indian securities is still in British hands, and that British capital assets are officially stated to have doubled since the establishment of Indian independence.<sup>1</sup> In one degree or another, this is true of every former colony. The "unique good sense" of the British imperialists makes sure that whatever political concessions are forced from them their profits keep rolling in.

But this unique good sense has also, according to Strachey, to cope with the old trouble: the white man's burden. Britain, he says, must still bear the burden of having to save the remaining colonial peoples from "atavistic tribal movements or *coups d'état* promoted by tiny communist minorities"; therefore "we must face the fact that in some colonies we must continue to govern for a time". In other words, in spite of "the end of empire", British imperialism must hang on to what is still left to it, using "atavistic tribal movements" and "communist plots" as the cover for suppressing by force all attempts to win democracy and independence. Such is the practical conclusion of all right-wing Labour colonial "theory".

Moreover, this practical conclusion is unavoidable for those who regard the monopolies as "serving the nation well", who see the maintenance of a "strong £" as a key point of policy, and who think that Britain's economic prosperity depends on maintaining a high rate of profit and investment. Nothing can serve these purposes better than continuing to exploit the peoples of underdeveloped countries.

Strachey's exposition of the Russian or Chinese empire theme, paralleled with the theme of an American empire, is an essential part of his aim of blurring over the differences between capitalism and socialism, between imperialist and socialist relations with underdeveloped countries, in order to justify right-wing Labour's support of the imperialist war alliance against the socialist countries.

Take the military position. United States imperialism has hundreds of air, naval and rocket bases all over the world, in the territories of other countries. British imperialism also

<sup>1</sup> *World Marxist Review*, April 1960, p. 84.



maintains bases and armed forces in its colonies and in as many of its ex-colonies as will permit this; it welcomes not only American but even West German forces in Britain, openly directed against the socialist countries. The Soviet Union has no armed forces outside its own territory except in those East European socialist countries which are in the Warsaw pact for common defence against the NATO threat from the West; it has steadily reduced these forces and tried to reach agreement for the mutual withdrawal of outside forces from European countries, to which the only answer from the West has been the further building up of West German forces.

Take the economic relations with underdeveloped countries. British imperialism continues to draw massive profits from these, and to export private capital to ensure further profits. United States imperialism is doing the same. Almost without exception, past and present imperialist investments in the underdeveloped countries are for the purpose of drawing out raw materials for the industries of the "mother country", not for building up an independent economy. Soviet and other capital exports to underdeveloped countries are for precisely this latter purpose, apart from the terms being far more favourable than those offered by the imperialists.

These differences arise from the basic differences of the system in the socialist as opposed to the imperialist countries. In the imperialist countries the aim of all relations is profit, to maintain or extend the robbery of other peoples for the profit of the monopolies; in the socialist countries there is no class that can benefit from exploiting anyone, and relations with other countries are only possible on the basis of mutual benefit, directed to raising the standard of living all over the world as the foundation of peace and social advance for all. Imperialist spokesmen and right-wing Labour leaders talk of the need to aid the underdeveloped countries; but their system works remorselessly to widen the gap between the developed and the underdeveloped.

The impact of the rapidly advancing colonial liberation movement had reached Labour Party headquarters by 1956,

when the first of the Labour Colonial Policy documents was issued.

*The Plural Society* starts by declaring that "Among the most fascinating of the British colonies are those with plural, or multi-racial, societies". British monopolies and, in some cases, British settlers indeed found them fascinating; what fascinated them, however, was not the colourful dresses and skins ("black, white, brown or yellow skins") described in the document, but the raw materials, cheap labour and big profits which these countries offered.

Such material things are not considered in this document, which deals with the multi-racial societies as if they were classless, and expresses such brotherly sentiments as:

"What are their hopes, fears and ambitions? What prejudices, jealousies and generousities do they feel? How can we help them towards a friendly, peaceful and civilised life? For they are all members of one family. . . ."

So, being all members of one family, they must put away racial discrimination. And *ultimately*, "whatever transitional arrangements may be made", Europeans and Asians must be prepared to accept unqualified African equality. So all kinds of "transitional arrangements" are considered for gradually increasing the African vote.

In the whole document there is not a word about independence: on the contrary, the conclusion (p. 46) is: "It is therefore the responsibility of Britain to retain ultimate control in all these plural societies until such conditions for the establishment of full democracy exist"—again the sacred principle of the "white man's burden".

What are these "plural societies" to which this document is devoted? Nigeria, for example, is very far from having a homogeneous population, but whatever differences there may be in "skin" or outlook, Nigeria is not a "plural society". For right-wing Labour theorists "plural societies" in fact is the term used to cover up the real problem—the problem created by the presence of "white" settlers, who have driven the



Africans from the best land, and "white-owned" monopolies exploiting African labour on a large scale; who together dominate the political and economic life of a far greater number of Africans; who have established laws and taxes compelling the Africans to labour for them; and whose rule has not the slightest tempering of democracy or respect for the lives and welfare of the people.

The expropriation of the expropriators not being in the right-wing Labour vocabulary, the whole document presents the problem as if it were due to a mixture of national groups, and not to the domination of the majority by one relatively small propertied group. And alongside talk of *ultimately* establishing "one man one vote", the statement that "we cannot expect to establish the common roll immediately everywhere" is followed by proposals showing it is not to be established immediately *anywhere*. Great concern is expressed about the need to protect "minority interests", and the declaration is made that when eventually an African majority is allowed to take control, it "may even be necessary to invest Governors with reserve powers for a period to protect legitimate minority interests against excessive national ardour"!

Right-wing Labour, in short, will do everything for the Africans except allow them to throw off their exploiters.

The second Labour Party document on colonial policy was *Economic Aid*. This starts off bravely denouncing "the inadequacies of the policy Britain has pursued" and showing the low standards of the colonial peoples; in guarded terms, it refers to imperialist exploitation—"And even where such investment increases the national income . . . it does not correspondingly increase the prosperity of the native peoples." This masterpiece of understatement is followed by the bold declaration: "Only a socialist policy, therefore, can break this vicious circle."

And what is the "socialist policy" proposed? To hand over sovereignty to the peoples immediately, to hand over to them the mines, the railways and ports, the land that has been robbed from them?

Oh, no: that would show no respect for "minority rights".

So not a word is said about the monopoly-owned enterprises in the colonial countries, apart from such highly moral phrases as: "Private investment has a part to play, but it must be as a partner, not as an exploiter."

The underdeveloped countries, having had their wealth, produced by themselves, drained away for decades, have no funds for the industrial development that they need in order to raise the standard of living. So the key policy in the final section on "What the next Labour Government will do" is to allocate "an average of one per cent of our national income over a period of years as Britain's contribution to the development of backward and colonial countries" (p. 35).

What this involves is made clear at an earlier point: "We have to face the fact that for Britain to make the necessary contribution to overseas development will mean more sacrifice and more work": consumption in Britain must be cut down "by taxation or other means" to provide the funds (pp. 6-7).

So since sacrifices and cutting down consumption are always imposed on the working people, what this proposal amounts to is to put "the white man's burden" of responsibility to colonial peoples fairly and squarely on to the shoulders of the British workers.

One per cent of Britain's national income (about £24,000 million) would be £240 million. But the British imperialist exploiters of the underdeveloped countries take from them, year by year, very much more than that amount. The *Financial Times* regularly lists the profits made by some of the larger companies operating overseas: on January 9, 1961, giving the profits declared by 447 such companies during the past year, it showed a total of £665 million. This very much understates the total profits from the exploitation of the peoples of underdeveloped countries, since it does not include: (1) profits of companies carrying on activities both in Britain and abroad, such as Unilever and its associated companies; (2) profits of British companies registered abroad; (3) profits of private companies and individuals (settlers and others). If account is taken of all these, aggregate British profits from this source must be several times the £240 million which the Labour policy



document proposes the British workers should provide in order to help their poor brothers exploited by British imperialism; and this is described as a socialist policy!

What is a real socialist policy for Britain in relation to the peoples of colonial or ex-colonial countries still exploited by British imperialism?

Such a policy is outlined in the Communist Party's programme, *The British Road to Socialism*: the withdrawal of all armed forces; full sovereignty to governments freely chosen by the peoples; and the handing over to them of all natural resources owned by the Crown or British capital.

Then there will be no need for "never-never" democracy by stages, and no need for British working people to cut down their consumption. Industrial development needed by the underdeveloped countries will be financed from their own resources once imperialist exploitation in all forms is ended. Far from having to make sacrifices, British workers will benefit from the industrial development and rising standard of living of the peoples of the underdeveloped countries; besides getting the benefit of ending the costs of military occupation and repeated colonial wars.

But right-wing Labour cannot even imagine the real ending of monopoly capitalism and its exploitation of the peoples of the underdeveloped countries or of Britain itself.

## Chapter Seven

### PHILOSOPHY AND MORALITY

The contribution by R. H. S. Crossman in *New Fabian Essays* (1952) is entitled "Towards a Philosophy of Socialism". The thesis is that the early Fabians rejected socialist theory, "classical Marxism", and adopted "pragmatic social reform". But "due to an acute apprehension of changing world conditions in the 1930s" the Webbs abandoned pragmatic social reform and accepted "Communist theory and practice in their old age". Other socialist intellectuals also forsook pragmatism in that period—Tawney, Laski, Strachey are named. "But this victory of Marxist theory was short-lived . . . the Labour victory of 1945 brought with it a return to the old-fashioned Fabian approach."

But, Crossman goes on, this pragmatic social reform, the Labour Government's practical programme of action, had no theoretical basis, and now "the Labour Party is in danger of becoming not the party of change, but the defender of the *status quo*". It is therefore time "to sit back and reflect" on what are the principles or philosophy of democratic socialism. A sound philosophy of democratic socialism cannot be found by "hurriedly borrowing a ready-made philosophy from elsewhere"; it "must be derived from an examination of our own explicit principles of action and a fresh appraisal of the facts of the situation".

The trouble with Crossman's analysis is that it is not true that a theoretical basis was lacking for the Labour Government's practical programmes of action. No government, no individual, can act, especially in the political field, without any theoretical or philosophical basis whatever. And the more



unconscious the Government or the individual is of the philosophical basis for the action, the higher the probability that it is a "ready-made philosophy hurriedly borrowed from elsewhere".

As earlier chapters have shown, in their attempts to justify the actions of the post-war Labour Governments the New Thinkers have in fact made explicit the implicit principles, the outlook or philosophy, which lay behind these actions. And in the economic, social, colonial and international fields they have revealed that "the sound philosophy of democratic socialism" is nothing other than a philosophy borrowed from capitalism.

When Crossman begins to "sit back and reflect" in order to find some philosophical basis for "democratic socialism", he only brings this out more clearly. He starts by considering the idea of progress. The materialist conception of progress? It "was based on assumptions about human behaviour which psychological research has shown to have no basis in reality". That pontifical conclusion reached by "psychological research" gets materialism out of the way. "The evolutionary and the revolutionary philosophies of progress have both proved false." Tut, tut, the whole history of the human race has been a profound mistake.

What does this denial of progress reflect?

It is the philosophical outlook of a class that has no future, an outlook which finds expression in pessimism, irrationalism, and all kinds of idealist diversions from the material world and the achievements of human society, in order to blot out the horrible thought of the end of colonialism and of capitalism itself.

And this becomes even clearer as Crossman proceeds to deal with morality. "Morality," he tells us, "consists in the decision to do good, and there is no evidence that more men decide more often to do what they believe to be their duty in a civilised society than do so in a primitive society". And so on. To the conclusion:

"Increased concentration of power, whether in the form of technological development or social organisation, will

always produce exploitation, injustice and inequality in a society, *unless the community possesses a social conscience strong enough to civilise them.* . . . Every economic system, whether capitalist or socialist, degenerates unless it is policed by a social morality, which can only reside in a minority of citizens" (*New Fabian Essays*, p. 10).

So, in effect, the concentration of power in the hands of the monopoly capitalists is equated with the concentration of power in the hands of the working people; both produce the same results, so there's no point in bothering about socialism; just organise the moral minority into a social morality police, that's the most we can ever hope for.

This is a philosophy which regards human society as in essence unchanging, cannot see human development, cannot see the difference between class society and classless society, and pins its hopes on a minority of individuals, an elite, by grace of God equipped with a "social conscience." How near that runs to the "philosophy" of Moral Rearmament!

The psychological interpretation of history—itsself descended from Ramsay MacDonald's biological interpretation—was much in evidence with E. F. M. Durbin, whose *The Politics of Democratic Socialism* (1940) is much praised by Gaitskell and his associates. On page 79 of this book Durbin wrote:

"A medieval society looks upon machines as *toys*. A capitalist society looks upon them as instruments of production. What has changed is not knowledge, but a habit of thought. What has really altered is an emotional judgment."

In a footnote to this he adds: "What is absent in the industry and agriculture of India and China is not knowledge, but the habit of mind that regards the application of rational and mechanical principles and devices to production as possible and right. It is a habit of mind—an intellectual institution—that is missing."

It seems incredible that such an outlook still existed in



1940, and that its influence should still be felt in this period. The complete elimination of such factors as the ownership of the means of production and the exploitation of working people and their substitution by a "habit of mind" or "emotional judgment" to explain social conditions and stages of development, lies at the back of the theories that socialism means "freedom", "democracy" and "moral values" hanging in the air, without any material foundations.

This psychological explanation of things is evident in Crosland's argument that capitalism no longer exists, because the capitalists of today have a different outlook from those of yesterday; in Strachey's claim that the nature of capitalism has changed, on the ground that the managers of big industry today run their concerns with different motives from those of the individual owners of the past; and in the words of another contributor to *New Fabian Essays*, Austen Albu, who writes:

"There can be little doubt that the incentives which move such men [business managers] to work are not the crude self-interest of classical *entrepreneurs*, but a complex of half-conscious urges of which the spirit of the enterprise in which they work itself plays an important part" (p. 131).

Here the enterprise is endowed with a spirit which enters into the minds of business managers and drives out the *id*, Mammon, the profit-seeking urge—which in fact dominates the outlook of every manager precisely because he is, as Marx put it, a functionary of capital, for which self-expansion through profit is the law of existence.

Socialist Union also had a tilt at progress in *Socialism: A New Statement of Principles* (1952). The belief in the inevitability of progress, it says, "expressed the spirit of the age" in the nineteenth century; the great era of material progress "engendered optimistic philosophies of history" (p. 17), including Marxism. It doesn't seem to have noticed the even greater era of material and scientific progress of the present period, for it continues that since then "the whole course of world events has undermined the doctrine of continuous progress"

(p. 18). Having thus shut its eyes to the emergence of all the socialist countries, it develops the argument that in the nineteenth century socialists thought "Capitalism was to be overthrown; something known as socialism would replace it. A straight choice was proclaimed between two clear-cut antithetical systems—destroy the one and the other would supersede it. Today we know that this is a myth. There are no two distinct and opposing systems, only an infinite series of gradations" (p. 41).

Thus socialism is cleared out of the way, and the future offered is "an infinite series of" reformist "gradations". It really is an infinite series, for "the essence of socialism is the perpetual struggle to realise its ideals", while "ideals, by their very nature, are never fully realised" (p. 41). So the essence of socialism appears to be a kind of never-never within capitalism.

In *Twentieth Century Socialism* (1956) Socialist Union elaborates these ideals: "What socialists have wanted to see embodied in the economy were the universal human ideals of equality, freedom and fellowship" (p. 19). Many eloquent phrases explain the beauties of these ideals; but when it comes down to the brass tacks of detail, it turns out that "freedom" requires a private sector in the economy. Total public ownership, we are told, "leads only to totalitarianism" (p. 146). "The private sector of a socialist economy . . . has a legitimate and indeed a necessary function to perform. Within the limits of equality, there must be opportunities for people to spend as they wish, to own, to initiate and experiment" (p. 147). And to clinch the matter, "The reason why a socialist economy requires a private sector is because socialists place a value on individual freedom" (p. 148).

What "within the limits of equality" means is anyone's guess; evidently the private capitalist in a socialist economy will be "equal" to the workers he exploits in some moral field outside profits and wages.

However, it is not merely a question of the small capitalist. "For the man who wishes to stand alone, to do things his own way, there is little protection. He is stifled by the overwhelming resources of the combines against whom he must compete. To



see that the balance is restored here as well, is as much a part of socialism as anything else. Deliberate government action is demanded to give the consumer and the small man the protection to which he is entitled" (pp. 147-8).

So the private sector required by "freedom" includes combines as well as small capitalists, with the socialist government protecting the lamb from the lion monopoly. It is a wonderful ideal to wage a perpetual struggle for, especially as it has to be carried out "within the limits of equality" between the lion and the lamb.

However, a private sector of the economy is necessary not only for "freedom". From another source we learn that it is no less essential for democracy.

In the *Monthly Review* of the National Union of Boot and Shoe Operatives (May 1948) Labour M.P. Arthur C. Allen wrote:

"We seek to retain political democracy. That means that we seek to retain the party system. . . . This would not be possible under complete socialism . . . the question arises as to whether the Party system could survive if 80 per cent of industry were nationalised as distinct from the 20 per cent, which is our present aim. If it did, what could possibly be the philosophic basis of opposing parties. . . . Supposing the electorate backed the Labour Party up to the point of wholesale nationalisation . . . would it be possible for a party to survive whose aim it was to hand nationalised industries back to private ownership? I don't think so."

So "democracy" requires a Tory Party, and a Tory Party requires a private sector of over 20 per cent of the economy. It may be that the writer alone was responsible for the argument in this form. But the view would hardly be put forward with such frankness and enthusiasm unless it was current in the leading circles of the Labour Party; and indeed their subsequent attempts to get rid of the idea of "wholesale nationalisation" as the Labour Party's aim is some confirmation that this was their approach. Moreover, Strachey's praise

for the two-party system, though rather more sophisticated, is in essence the same (*Contemporary Capitalism*, pp. 166-8).

How do communists see the relation between the mode of production—especially the capitalist and the socialist mode—and morals, freedom, equality and fellowship—the "ideals" presented by the right-wing Labour theoreticians?

First, we do not accept for a moment the view that there has been no progress in human history. It is not only a question of economic progress, of man's increasing ability to produce, to free himself from control by his environment in the world of nature. The enormous advances in knowledge and the social use of the laws of nature have meant not only economic progress, but also the stupendous advance in man himself, his massive cultural and intellectual development.

But this progress cannot be measured in terms of the individual, leaving society out of account. Patrick Gordon Walker, in *Restatement of Liberty* (1951), says that we cannot judge progress—"we would be guilty of making our own subjective and unstated standards masquerade as absolutes". But we who accept progress as a historical fact are not applying "subjective and unstated standards" to reach this conclusion. On the contrary, we point to the actual developments in every field of human activity, and hold that to brush these aside is sheer subjectivism.

Crossman, for example, brushes them aside with his subjective view of individual "morality"—"Morality consists in the decision to do good", and there is no evidence that by this standard more men are moral today than in primitive society.

But there is no evidence that Verwoerd, for example, did not decide "to do good" when he took South Africa out of the Commonwealth rather than abandon his racist policies. In fact, the Press reported that on his return to South Africa after the 1961 Commonwealth Conference he declared his certainty that God approved of his action. Such subjective "decisions to do good" are quite irrelevant: they lead anywhere and nowhere.

Morality, freedom, equality and fellowship have developed



within society, marking certain aspects of the life of society. But since the primitive stages, human society has been divided into classes, and therefore all these social concepts reflect the class divisions in society. As Engels says in *Anti-Duhring*, "men, consciously or unconsciously, derive their moral ideas in the last resort from the practical relations on which their class position is based". The unemployed man in the 1930s who stole to feed his starving children had a different view of morality from that of the magistrate who sentenced him. In the present period the morality of the landlords is certainly different from that of the tenants. That there are similar views among all classes on some issues—such as murder—is because these issues affect society as a whole; and in many respects there has been progress in this general morality. But it remains within and alongside a class morality.

It is only when class divisions are ended, and as Engels adds, also their legacies in thought, that there can be a truly human morality, freedom, equality and fellowship. In capitalist society the demand for these on the part of the working-class movement is essentially a demand to end the exploitation, unfreedom, inequality and individualism implicit in the capitalist mode of production. To pose these demands for morality, freedom, equality and fellowship as *alternatives* to the social transformation of the present system is to put the cart before the horse. To imagine that they can be attained while there is still private ownership of the means of production—while the exploitation of one man's labour by another continues—is to lose all sense of reality: in fact, to line up with the Moral Rearmament preachers who seek to persuade the workers that all these "ideals" can be attained by class peace and the "fellowship" of master with men over a glass of champagne.

This does not mean that the socialist organisation of society automatically and immediately brings with it a truly human morality, freedom, equality and fellowship. But socialist society, by clearing away the conditions which make these impossible in class society, prepares the ground on which these can develop and will develop, because it is based on common

ownership of the means of production, and because its purpose is to use these to meet the steadily extending material and cultural needs of all members of society. In such a society the "decision to do good" implies the understanding of the identity of interests between the individual and society; it becomes, so to speak, the normal reaction of individuals, a habit, because it corresponds with every aspect of life in such a society.

It may be said that this is looking far ahead. Perhaps; perhaps not so far ahead when socialism has been established on a world scale. In any case, there is no other way to reach the goal, and the preachers of morality and all the rest of it who repudiate the social transformation are, consciously or unconsciously, only putting obstacles in the way of their professed ideals.

Socialist Union uses too the old misrepresentations of the Marxist "materialist conception of history" as if it were economic determinism. *Socialism: A New Statement of Principles* confuses the issue from the start by saying (p. 16):

"Economic determinism asserted, in Engels' words, that 'in every historical epoch, the prevailing mode of economic production . . . forms the basis upon which is built up, and from which alone can be explained, the political and intellectual history of that epoch'."

The unsuspecting reader would never dream that Engels explicitly repudiated the assertion that his view was economic determinism—the view that all men's actions and outlook are completely determined by their economic interests. To show that men's actions are not so narrowly determined, that all kinds of other influences are at work on men's actions and outlook, easily disposes of economic determinism; but it has no bearing on the materialist conception of history. This view holds, again in Engels' words, that "the *ultimately* determining element in history is the production and reproduction of real life. More than that neither Marx nor I have ever asserted. Hence if somebody twists this into saying that the economic element is the *only* determining one, he transforms that



proposition into a meaningless, abstract, senseless phrase" (Letter to J. Bloch, Sept. 21, 1890).

This distortion of the Marxist standpoint is then used by Socialist Union to disprove the suggestion that different economic systems in different countries have any bearing at all on the policy which they pursue. In a later publication—*Socialism and Foreign Policy* (1953)—Socialist Union says that we must get rid of "certain lingering illusions", the first of which is "the old belief" in economic determinism—"the conviction that all the policies of a nation are directly determined by its economic system" (p. 30). Socialist Union then denies, without further argument, that Russia, because the means of production are State-owned, must be progressive and peaceful, and that America, where private ownership prevails, must be imperialist and war-mongering (pp. 30-1); and this leads on to the purpose of the whole exercise—the justification of the alliance with America and NATO.

But to get rid of "the old belief in economic determinism" does not entitle us to throw out the baby with the bath-water, that is, to throw out entirely the influence of economic motives, and to shut our eyes to the fairly widely known and generally accepted history of imperialism; to say nothing of the growth of American private investment abroad from a total of under \$7,000 million in 1936 to \$29,735 million in 1959.<sup>1</sup> As for war-mongering, when Socialist Union produced this booklet Dulles was at the height of his "brinkmanship".

In addition to rejecting the belief in economic influence on the foreign policy of countries, Socialist Union also rejects "the naive view that a socialist foreign policy consists of mutual support between socialist States and opposition to capitalist ones—supposing one could pin down which States are socialist and which capitalist" (p. 34).

Thus the argument is clinched: there aren't two economic systems—only gradations; anyway, economic systems have no political implications; so get rid of the naive view that socialist States should stand together, and come in behind the policy

<sup>1</sup> *The Times*, Feb. 7, 1961, reproducing tables in *U.S. Business Investments in Foreign Countries*, published by the U.S. Department of Commerce.

of capitalist States standing together through NATO in opposition to socialist States. And if it seems a curious line of argument, it must be remembered that the American alliance and NATO were products of the Labour Government, and Socialist Union had to advance some alleged justification for them.

Marxists do not deny that there may be many factors involved in determining the foreign policy of a country—strategical considerations, nationalist ambitions (themselves reducible to economic aims), even personal ambitions may play a part in determining particular aspects of foreign policy. But *ultimately*, in the broad sweep, the overriding factor is the nature of the economic system.

In the monopoly stage of capitalism, the huge aggregations of privately owned wealth inevitably seek new fields of investment, new markets and sources of raw materials, wider opportunities of exploitation that will expand the already accumulated wealth. It is not a question of the good or bad will of the Government or even of individual capitalists: the need for expansion flows from the nature of the system, as the history of this century has shown. An alliance between capitalist States is necessarily an alliance to protect capitalist interests, whether against rival capitalist groups, the movement for national liberation of colonial countries, or the socialist countries. That in the recent period the United States has been the most imperialist and war-mongering of the capitalist countries is the result not of Eisenhower or Dulles—though these have played their part—but of the fact that in that country there are the richest and most powerful concentrations of accumulated wealth.

On the other hand, in the socialist countries there are no such privately owned accumulations of wealth. Each year's social accumulation is needed for internal use, to increase productive capacity in order to meet the increasing needs of the people. If the socialist State makes loans or supplies capital goods to other countries, it does not do so in order in the future to exploit those countries and draw profits from the people's labour, but in order to help them forward in their



own development under their own control and for their own use. The development of socialist and ultimately communist society requires peace; no one in a socialist country has anything to gain from war. The foreign policy of a socialist country is *necessarily* based on peace.

The myth of Russian "aggression" and "imperialism" has been worked hard, and the right-wing Labour and Social Democratic leaders in all capitalist countries have done their utmost to spread it, by downright lies as well as by such "theoretical" arguments as have been quoted above. But myths wear thin in time, and the "theories" which support them come to be seen as desperate attempts to justify an outlook and policy that has held back the advance of the working-class movement in *their own* countries.

The "philosophy" and "morality" of right-wing Labour are truly reflections of a real world: but it is the doomed and shrinking world of capitalism that they reflect, with the same faithfulness as it is reflected in the philosophy and ethics of the spokesmen of imperialism.

That is why, in this era of transition from capitalism to socialism on a world scale, those who hold this philosophy and preach this morality have led the Labour movement into an impasse.

## Chapter Eight

### LOOKING AHEAD

Previous chapters have examined some of the theories produced by right-wing Labour apologists in defence of the outlook and policies of the post-war Labour Governments—theories which in turn have inspired the Labour Party documents and policies of recent years. Running through them is the belief that the capitalist system of production for profit has in some way or other been transformed into something worth preserving, and is to stay with us for at least the foreseeable future. On the basis of this belief, therefore, it follows that Labour can best serve the interests of the British people by helping this reformed capitalism to run without friction and administering the system with greater efficiency than the Tories. From this conviction follows the concept of a partnership between the classes, in which each respects the responsibilities of the other and both share the national income—not indeed equally, but in accordance with the national need for the property-owning class to accumulate further capital for expansion.

This need can best be supplied by sacrifices on the part of the workers, whose living standards are now so high that they will scarcely feel the pinch; and by the continued exploitation of the colonial peoples, whatever political concessions may have to be made to them.

Future prosperity being dependent on partnership with the employing class, right-wing Labour sees Labour's mission as the defence of British monopoly capitalism against all comers—especially against the communists and the left in the Labour movement, who refuse to come into the partnership; against



colonial or ex-colonial peoples who want freedom from imperialist rule and exploitation; above all, against the advance of socialism in the world.

Since on this view defence of the interests of British monopoly capitalism is vital to the success of the partnership, the Labour movement is told that it must pull its weight in support of the NATO alliance, rely on nuclear weapons and throw open Britain's ports and fields to all its NATO allies, including Adenauer Germany.

With the partnership thus established and defended, talk of nationalisation must be dropped, except where this can be shown to be helpful to the senior partner; indeed, the partnership can best find expression through the State purchase of shares in the monopolies, which will enable the whole population to participate through old age pensions, after A.D. 2000, in their ever-expanding profits.

Such is the Great Illusion offered by right-wing Labour to the movement as a substitute for the aims of socialism and peace, while brave words against the Tories on minor issues are accompanied by full support for Tory policies on major issues.

How does it come about that people associated with the Labour movement adopt these ideas and base their political line and actions on this outlook? It is not an isolated phenomenon arising from special conditions in Britain: the same outlook pervades the social democratic parties of Western Europe. The same illusions are being spread by right-wing leaders in West Germany, France and other countries. There is the same abandonment of socialist aims, the same enthusiasm for the American alliance, for NATO and its offspring in the Middle and Far East, the same hostility to the socialist countries. And preaching these doctrines there is the same "upper stratum of the labour aristocracy" to which Lenin referred, "philistine in their mode of life, in the size of their earnings, and in their outlook"—a mode of life and earnings which the capitalist class is able to provide them with out of the super-profits of colonial exploitation and monopoly. Lenin wrote of capitalist bribery "in a thousand different ways, direct and indirect, overt and covert". Today these ways are

even more diverse: highly paid jobs in the nationalised industries, seats on Government committees and commissions, travels abroad, Moral Rearmament hospitality, highly paid articles in the Press, titles and of course the long-established hospitality of the ruling class and encounters with royalty for the deserving.

Thus a section of those associated with the Labour movement, professional politicians and trade union leaders, become in their whole way of life and outlook separated from the working people and linked with the property-owning class, sharing in its super-profits and identifying their own well-being with the prosperity of monopoly capitalism.

That this process may be largely unconscious, that it reflects the pervasive influence and basic social corruption of the profit-making system, does not lessen its harmful consequences for the Labour movement, here and in other countries. Those who have been won over to the capitalist outlook, in so far as they control the machinery of working-class organisations, add the authority of their positions to the propaganda of the ruling class, undermining the class outlook, the aspirations, the international solidarity of the workers, and binding them mentally to the outlook and policies of the ruling class.

But the contrast between illusion and reality is incessantly growing sharper. Increasing numbers of trade unionists and Labour Party members are shaking off the grip of the right and moving to the left. The struggle ebbs and flows, but the deep-lying trend is to the left, in Britain as in every country still under capitalist rule.

Since it is in the industrial field that right-wing theory and practice come most sharply into collision with the facts of life, the fight on wages and conditions gives the left movement its principal strength and momentum. But the left has developed not only on immediate economic issues. Just as in the period before the second world war the broad left movement was directed against fascism—which then represented the most reactionary and aggressive sections of monopoly capitalism—so now the broadest sweep of the left is directed against the nuclear weapons policy. It is natural that opposition to



nuclear weapons is most actively expressed by young people. The essence of nuclear weapons policy is the obliteration of all hope and promise of the future, of everything to which youth can look forward, including life itself. It is the despairing policy of a class which has outlived its day and knows that it has no future. Colonial repression too is the policy of that dying class, seeing no future for itself in a world freed from imperialist exploitation.

Just as the anti-fascist struggle before the war brought with it a deepening of political consciousness, a wider interest in socialism and Marxism, so today the struggle against nuclear policy and imperialist repression is having the same result. In Britain, and indeed all through the capitalist world in one degree or another, there is rising political interest, the rallying of the left within the Labour and progressive movement, the wider study of Marxism and the growth of the communist parties.

But though the right wing of the British Labour movement is more or less united in the theory and practice it has borrowed from capitalism, there is as yet no such unity in the outlook of the left. United in its opposition to the main policies of the right, it yet retains many of the theoretical conceptions of the right. Above all, it lacks a perspective for the future which could not only unite it and strengthen its determination and confidence, but would gather round it the great numbers, particularly of young people, who feel the frustration imposed by the right and are searching for the way to break through into a different kind of future.

Search as they will, they will find it only in Marxism.

Opponents allege that Marxism makes man the helpless plaything of external forces, deprived of all freedom of choice and initiative. There could be no greater parody of Marxism. Marxism holds that it is people who make history, restricted though they are by the circumstances of their time and place. They do this by using man's accumulated knowledge of the forces of the world in which they live to control and direct these forces in the service of human progress. It is this knowledge, and their initiative in using it, that gives them their

freedom of choice, breaking the bonds of circumstances that tie them down.

At this stage of human history, it is the right-wing theory and practice that is tying the Labour movement down, depriving it of all initiative, all freedom of choice, making it the plaything of the forces of monopoly capitalism, chaining it to the *status quo*, with nuclear incineration as the only prospect of release.

The theory and practice of Marxism has given the peoples of the world a different perspective; it has called forth the freedom of choice and initiative of hundreds of millions of people in different stages of development, inspiring them to shatter the chains that bound them to monopoly capitalism and older forms of class rule and build for themselves a new social order, the spearhead of a socialist world.

This is the perspective set by Marxism, and it is not abstract, based on wishful thinking and illusion. The process is already far advanced. It began with the Russian revolution of 1917, opening the period of the general crisis of capitalism, of the transition from capitalism to socialism on a world scale. This transition, with the growth of the socialist sector and the shrinking of the capitalist sector, has reached the point when a third of the world's population is now in the socialist sector; another third has been lost to the direct control of imperialism in the former colonies which have won their independence. Strongly entrenched as capitalism seems to be in the countries that remain to it, the difficulties facing it are increasing—not because of any military threat from the socialist countries, but because of factors which it itself engenders: economic and social, political and ideological. The days of imperialist exploitation of the colonial peoples are coming to an end in spite of every attempt at repression; the struggle for markets is growing more intense; it is becoming more and more difficult to put up ideological defences for capitalism as the fruits of socialism are more and more evident.

What are these fruits?

There are still some economists in the West, especially in the United States, who produce analyses of Soviet economic



development which aim to show that Soviet statistics of growth are exaggerated, and that true measurements would show little difference between the Soviet rate of economic growth and that of Western capitalist countries. But such exercises are becoming rarer, and even the Alan Dulles outfit has taken to warning the West of the tremendous Soviet advances in every field of the economy, and urging that something must be done or the United States will be left behind. In fact, the industrial output of the Soviet Union has been rising since the end of the second world war at a rate of 10 per cent or more each year; in some of the other socialist countries the annual rate has been higher still—partly due to help from the Soviet Union. In all these countries agricultural output too has risen, though not at so fast a rate.

How has this come about? In the early days of the Soviet Union it used to be said that a rapid rate of growth was easy to explain from the low level at which it started; but that explanation will not convince anyone now that the Soviet Union is the second most highly developed industrial country in the world. The explanation is quite simple: the means of production are socially, not privately, owned, and production is planned in order to raise production and with it the people's standard of living. The Labour Government's 1947 picture of "totalitarian planning" in the socialist countries—"various methods of compulsion upon the individual which deprive him of the freedom of choice"—is sheer nonsense, because there are no capitalists who need to be compelled to act in a way that will help society forward. The planning is essentially democratic to an extent that right-wing Labour cannot dream of, since it would be quite impossible in the society that bounds their vision. Socialist planning draws in tens of millions of industrial, technical and scientific workers. The plan is their plan, and they know that each plan is one more step forward for themselves. That is the reason why, in spite of difficulties and discrepancies, year after year the plan is carried out and often overfulfilled.

How does this massive and continuous increase in production benefit the people? Crosland says that if "the rate of

capital investment is what they say, then the world's first collectivist economy has extracted surplus value from its population on a scale never exceeded by any capitalist country in history" (*The Future of Socialism*, p. 72). He means here by "surplus value" the part of the social product created by the workers which they do not personally draw out in wages, but which becomes a social fund. Since Russian industry was backward, productivity was low, and it is ridiculous to suppose that the "surplus" described as "extracted" from the workers was larger than the surplus value created by the workers in modern capitalist industry. When modern industry was developed in the Soviet Union, the workers' standard of living too was raised; it is now continuously rising and will soon overtake the standards in capitalist countries. Moreover, the surplus, the social fund, created by a worker in a socialist society, is not alienated from him, but comes back to him in many different ways: in social services unequalled in any capitalist country; in educational opportunities that are the envy of the West; in cultural opportunities such as are open only to the rich in capitalist society; in shorter hours and longer holidays, as well as in real wages rising year by year. The surplus is not surplus value, used by a capitalist class to expand its privately owned capital in order to make more surplus value; it is simply that part of what a worker produces which he does not personally and immediately consume, but which is pooled by the workers for their collective benefit. And the social results of this planned production and collective accumulation have been stupendous.

Indeed, in a socialist country industrial expansion and social advance are not two separate phenomena: the two move together, in contrast with a capitalist society in which for example automation brings acute social problems. It is not only a question of wages and social services improving as production rises, and therefore unemployment being unknown in a socialist society. Planned production and planned distribution of the product, essential as these are, could never have brought such results without people also



advancing, not only in skill but in all-round knowledge and understanding of what they were working for. It is the immense spread of this education and social understanding that is the basis of Soviet scientific achievements: it is a basis which capitalist society cannot give, and that is why it can never outdistance the Soviet lead.

Can it be imagined that in such a society there is no democracy? Such a statement is only plausible when those who make it present British parliamentary institutions as the quintessence of democracy. Strachey for example considers a two-party system as a necessary feature of democracy. So it is, in a country divided into classes with antagonistic interests, provided the parties represent those interests, and the party of the working class fights the party of the property-owning class in order to end the property-owning system. But that is not what Strachey means: he says that the two parties must have in common "objectives, methods, loyalties, faith" (*Contemporary Capitalism*, p. 166). Thus the conception of partnership, already seen in the field of industry, is brought by Strachey also into the field of politics. This conception makes the Labour Party a party of deception; a party which, so long as it remains under right-wing control, has the same objectives, methods, loyalties, faith, as the Tories, and has the function of preventing democracy from functioning.

But in a country where the social system has developed to the stage where there are no classes with antagonistic interests, the social basis for different parties has disappeared. The democratic system is in fact the people running the country, settling its affairs, with a common party representing the common interests.

Ah, say the spokesmen of right-wing Labour, even granted that the socialist countries have some social, material and scientific achievements to their credit, has there been any moral advance? You Marxists think that ending private ownership of the means of production will transform people into social saints: but experience shows this is not so. Strachey, for example, says that "the early socialist thinkers, from More to Marx . . . were wrong in so far as they implied that given

the establishment of the right material and social environment, the necessary subjective developments would more or less automatically take place" (*Contemporary Capitalism*, p. 293).

But Marx never implied anything of the sort. He laid great stress on the fact that a socialist or communist society would not be one "which has developed on its own foundations, but, on the contrary, one which is just *emerging* from capitalist society, and which therefore in all respects—economic, moral and intellectual—still bears the birthmarks of the old society from whose womb it emerged".

The removal of these birthmarks has never been thought by Marx or Marxists to be an automatic process: all the more because the dispossessed class and their foreign friends do their utmost to prevent them from being removed. Working-class power, the conscious action of the working class led by a Party with a Marxist outlook—a Communist Party—is necessary, not only to crush the resistance of the former property-owning class and repel foreign imperialist attacks, but also in order, step by step, to remove the birthmarks and develop a socialist economy and a socialist moral and intellectual outlook. The taking over of the means of production, the ending of exploitation, the planning of the economy to meet the needs of the whole of society—is the foundation on which the new moral and intellectual outlook corresponding to that basis can be built up. This change in outlook is partly automatic, in the sense that the great majority of the people see the point from their own experience; it is partly not automatic, in the sense that the point has to be driven home: by education, example and organised experience, as in the case of winning the peasantry for collective farming; by legislation; and by State action against the minority who cling to their capitalist "birthmarks" and act in anti-social ways. As the socialist society develops, this minority progressively dwindles—in spite of imperialist attempts to keep it going—and the further growth of a socialist moral and intellectual outlook becomes the common care of the majority of the people, matured by experience and the ever-deepening consciousness of their socialist purpose.



The attempt to present fascism and communism as identically "totalitarian" is one of the most characteristic deceptions practised by right-wing Labour.

Fascism can only arise in a class-divided society, in which the property-owning class, losing confidence in its ability to maintain its wealth and power by the methods of parliamentary democracy, destroys all democratic institutions and by terror and violence continues the exploitation of the people for the benefit of the monopolies.

In contrast to this, the people's rule in a socialist society clears away such obstacles to democracy as private ownership of the means of production, "managerial rights", and racial or caste privileges; and it builds up a vast network—far wider than in any parliamentary democracy—of new democratic institutions through which the whole people can continuously take part in ordering their own lives and the life of society. Socialist democracy is a giant's stride forward in democracy, because it is the extension of democracy through every aspect of life: especially in the factories, where in capitalist society there is none; in the administration of the social services; in the law courts; in the innumerable organisations of the people serving local or special needs. On a national scale, every major legislative proposal is discussed by the people in tens of thousands of meetings as well as in the Press before it is adopted. Such democracy is infinitely more real in the lives of the people than the Western electoral democracy which gives them the privilege of voting once in four or five years for a representative whose policy they cannot control.

Socialism brings with it, too, equality in all spheres of life between all races and nationalities, the rapid rise in the economic and cultural development of relatively backward peoples, and therefore the opening up of completely new opportunities for them in the front ranks of human progress.

In his imaginary picture of "Russian imperialism", Strachey observes that the Russians have the advantage over the capitalist countries in that they "are far less racist than we are"; moreover, that they "have shown themselves unreservedly anxious to encourage, and to a fairly generous

degree, considering their own resources, to help the underdeveloped countries to set up heavy industry bases of their own, and so to achieve genuine economic independence" (*The End of Empire*, pp. 301-2).

These are precisely the reasons why, in spite of all Western propaganda, the peoples of the underdeveloped countries are drawing closer to the socialist countries; because they recognise the vast difference between the imperialist and the socialist approach to their problems.

They are coming increasingly to understand that it is only the development of socialism that offers them the prospect of a real and speedy advance into the ranks of the developed countries, with all that this means in the total advance of all mankind. And though the rearguard actions of imperialism—as for example in Angola, Central Africa and the Congo—may hold back the advance for a time, not all the arguments and all the anti-communist propaganda of imperialism can long delay it. The era of peace, of the scrapping of armaments, of world abundance is not so distant.<sup>1</sup>

Yet it is at this stage in human history that the right wing of the Labour movement in Britain and in other capitalist countries call on the working-class and progressive movement not to go forward to socialism with the rest of the world, but to sit in the trenches of capitalism and defend it to the last. The suicidal nature of this call shows itself today in the reactionary Governments in power in the countries where the working class has followed the right-wing leaders, in the steady piling up of nuclear armaments and spread of bases for nuclear war, along with the rising wealth and power of the great monopolies.

If the fight of the left against these policies is to be successful, the whole outlook of the right must be fought: their denial of progress, to justify the *status quo*; their conception of partnership with capitalism, which leads at home to the abandonment of socialism and abroad to the support of NATO against the socialist countries; their talk of "Russian aggression" and "Soviet imperialism" to cover up their own defence

<sup>1</sup> See J. D. Bernal, *World Without War and A Prospect of Peace*.



of Western imperialism; their hatred and fear of the militant left and the communists, who threaten to bring the movement back into the struggle for its socialist aims.

As against this outlook of the right, the communists put forward the outlook of Marxism: no partnership with the exploiting class, but the fight to end capitalism; repudiation of nuclear weapons and the NATO alliance; friendship and co-operation with the socialist countries for peace and disarmament; rejection of all forms of imperialist exploitation, and help to the underdeveloped countries so that they can use their resources for their own progress. And as the key to the achievement of these aims, unity of the Labour movement, including the communists, with all progressive sections of the people, in order to make peace secure and bring Britain into the main stream of socialist advance.

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as in Labour Party policy statements. These theories, on which the policies of the post-war Labour Governments were founded and which continue to dominate much Labour Party thinking on current questions, are examined in this book and submitted to a searching criticism.

EMILE BURNS is well known as a writer on economic and political affairs. He was editor of the famous *Handbook of Marxism* (published in the 'thirties by Gollancz), and his *Introduction to Marxism* (Lawrence and Wishart, new edition 5s.) has sold in many tens of thousands of copies, both in Britain and the Commonwealth and in foreign translation.

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